

A MULTI-COUNTRY STUDY OF STRATEGIC TOPICS IN PURCHASING AND SUPPLY MANAGEMENT

The Strategic Topics:

- 1.0 Purchasing and Supply Organizational Structures
- 2.0 Strategic Buyer-Supplier “Partnering” Alliances
- 3.0 Outsourcing Production and Services, including Purchasing and Supply Functions
- 4.0 Purchasing and Supply’s Strategic Planning Process and Its Integration Into Overall Corporate Strategic Plans
- 5.0 Information and Decision-Support Systems for Purchasing and Supply Management
- 6.0 Environmental Issues, Requirements, Constraints Impacting Purchasing and Supply Management
- 7.0 Global Procurement Strategies, Opportunities, Constraints

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Introduction

This study reports on **seven** purchasing and supply management practices of over 400 firms in **seven** North American and European countries. The countries involved in the study were Belgium, Canada, France, Hungary, Germany, United Kingdom, and the United States. Each country's research methodology was identical, and was directed by experienced native academics who specialize in purchasing and supply management teaching and research at their respective universities.

Methodologies of the Study

The seven common topics targeted for the study were determined through extensive deliberations from both the Research Team and "research priority" inputs from over a hundred senior purchasing executives attending CAPS' International Executive Purchasing Roundtables in Europe and North America. The methodology had two components, as follows:

- **Structured interviews** with companies in each of the seven countries covering the seven topics. These structured interviews formed the basis for the 62 case studies included in Section IV of the report (see enclosed compact disk). Each of the companies chosen to become a case study was determined by each country's researcher, and was based upon their experience and knowledge of firms that would potentially provide rich examples of their approach and experience with the seven topics.
- **Structured mail survey questionnaires** for each of the seven topics were sent to a large sample of firms in each of the seven countries. The sample of firms that received the seven-topic questionnaire set was a convenience sample determined by each country's

researcher, and included the firms that were targets for the case studies.

Both the structured interview guideline protocols and the structured mail survey questionnaires contained the same questions. Some language translation of the mail survey questionnaires was done by the researchers where they deemed it necessary.

Structure of This Research Report

Because of the extensive size of this report, it has been divided into four sections to facilitate the different interests of the reader, as follows:

Section I:

Presentation and analysis of the results of the mail survey questionnaire.

Section II:

Executive Summaries (by country) of each of the seven topics as gleaned from the 62 case studies.

Section III:

Matrix of key findings of each case study firm for each of the seven topics

Section IV:

Case Studies are contained in a topic-searchable compact disk located in the back of this report. See Appendix B for instruction in the use of this CD.

Topics Covered and Their Definitions

The following topics, and their definitions for the purpose of this study are as follows. Appendix A contains the English version of the questionnaires used in the study.

1.0 Purchasing and Supply Organizational Structures

Brief definition: Organizational structures are defined as the formal way in which a firm has assigned duties, responsibilities, and authority to employed individuals to manage its activities, products, functions and markets to meet its objectives. Often this is defined by organizational charts, job descriptions, and related documents that define the extent and limit the responsibility and authority of individuals to act on behalf of the firm and to manage others. For this study, we were primarily interested in the organizational structure of the purchasing and supply management functions in relation to the remainder of the organization.

2.0 Strategic Buyer-Supplier “Partnering Alliances”

Brief definition: A Strategic Buyer-Supplier “Partnering” Alliance is defined as a cooperative and collaborative way in which a buying firm and a few of its key suppliers intensively interact with each other to achieve mutual “win-win” long-term competitive benefits. These special relationships are characterized by long-term commitments, a high degree of mutual trust, confidential information sharing, cooperative continuous improvement efforts, and the sharing of risks and rewards associated with the relationship.

3.0 Outsourcing Production and Services, Including Purchasing and Supply Functions

Brief definition: Outsourcing is defined as purchasing manufactured items and services from **external** suppliers which have traditionally been provided by **internal** operations. Outsourcing **purchasing and supply functions** are defined as delegating some or all of the responsibility and authority for selected purchasing and supply-related functions from the purchasing organization to either **internal** individuals, departments, purchasing’s clients or customers, or to **external** 3rd parties, consortiums (horizontal buying alliances among a group of independent firms), or suppliers.

4.0 Purchasing and Supply’s Strategic Planning Process and Its Integration Into Overall Corporate Strategic Plans

Brief definition: A Strategic Plan results from a strategic planning process and defines an organization’s mission, goals, objectives, strategies, initiatives, tactics, and operational plans. In addition, it specifies the necessary

human, capital, intellectual, and technical resources and a time-phased action plan for implementation.

5.0 Information and Decision-Support Systems for Purchasing and Supply Management

Brief definition: Information systems collect, analyze, synthesize, and disseminate data to provide information to aid in managing, decision-making, and performing routine transactions. Usually computer-based, these systems support purchasing and supply management in areas such as timing of requirements for purchased materials, services and capital equipment, sources of supply, supplier information, supplier performance, order releases/call-offs, order tracking, pricing, quality, lead times, total cost analysis, and purchasing performance.

6.0 Environmental Issues, Requirements, Constraints Impacting Purchasing and Supply Management

Brief definition: Environmental issues deal with areas such as water, ground, air, and noise pollution; use, storage and disposal of hazardous materials and chemicals; waste from manufacturing processes; waste water management; unsafe or unhealthy working environments; unsafe finished products; industrial harm to plant and animal life; recycling or disposal of excess inventories, equipment, or manufacturing-generated scrap; recycling of obsolete or scrapped end products; design of products for material conservation, re-use, or recycling; and restoration/reclamation of lands scarred by industrial activity.

7.0 Global Procurement Strategies, Opportunities, Constraints

Brief definition: Global procurement strategies, opportunities, and constraints deals with a firm’s approach to and management of its sourcing for materials, products, services, and capital from firms located outside its native country. Issues and problems include: total cost analyses (reliability of delivery, quality, transportation costs, cycle times, etc.); cultural (language, customs, ethics); economic (stability, literacy, labor force, economic system, tariffs, duties, import/export quotas); political (local content and employment requirements, countertrade, offsets, barter, GATT, NAFTA, EC, other regional economic trade agreements, political stability, possible military hostilities, health, safety, and human rights); establishment of international purchasing offices (IPOs), currency fluctuations and counter-measures such as hedging, and staffing with expatriates and/or natives.

A Multi-Country Study of Strategic Topics in Purchasing and Supply Management: Section 1, Results of Mail Survey Questionnaire

1.0 Purchasing and Supply Organizational Structures: Research Questions and Results

1.1 How Is Your Purchasing and Supply Function Organized?

***A special note to the reader:** Due to the large volume of data contained in this report, the authors have not provided an exhaustive discussion of all aspects of every item, question, and issue. Rather, we present these data, its numerical analyses, and verbatim written responses, and, for the most part, leave it to the reader to scan the information provided and draw additional conclusions of their own.*

Figure 1-1 summarizes the answer to this question. Note the similarities and differences among the percentages for each of the seven countries. In general, over half (54%) are a mix of centralized and decentralized structures with most of the dollar volume purchased by the central organization. The exception is the United Kingdom, a mixed structure, with most of the dollar volume purchased by decentralized groups. This is further shown by the percent of dollar purchases purchased by centralized vs. decentralized structures. Overall, 64% of the dollar purchases are done centrally. Again, the U.K. is the exception among the seven countries, with 53% of the dollar purchases bought decentrally. Continuing on in Figure 1-1, 62% of purchases are for “strategic materials, capital and services” with the balance being “non-strategic” items such as MRO. Here, the exception is Germany, with 59% of purchases being “non-strategic.” Next, Figure 1-1 indicates that a strong majority of the dollar volume of purchases (70%) are made by the purchasing staff, while only 12% are made by teams made up of purchasing and non-purchasing individuals. This is corroborated by the statistics in the next row of Figure 1-1, which indicates that less than a third (31%) of the respondents have multi-functional commodity teams. However, it seems that teams are in much wider use in the U.S., Belgium and Germany, and

much less so in the U.K. and Hungary. Regarding structures that distinctly separate functions between “strategic” and “tactical,” almost three-fifths of the respondents are organized into these two tiers, with the U.S., Belgium, and the U.K. showing higher than average percentages. Finally, it is interesting to note that about a fourth of the companies use a “lead buyer” concept to buy key commodities for the entire company, even if the lead buyer is located in a decentralized business unit.

1.2 How Does Your Purchasing Organization Use Multifunctional Commodity Teams?

Figure 1-2 summarizes the answers to these questions. Rows 1-8 (**FUNCTION ON TEAM**) show the percent of inclusion of various functions in multifunctional commodity buying teams for each country, and overall. The last 7 rows (**TEAM STRUCTURE**) are a summary of the way multifunctional teams are structured. Finally, Figure 1-3 indicates a sampling of commodities targeted by multifunctional teams.

1.3 What Commodities (Materials, Capital, and Services) are Purchased Centrally to Cover Company-Wide Requirements?

Figure 1-4 provides a sampling of commodities that respondents buy centrally to take advantage of leverage. There seems to be a mix of both strategic and non-strategic materials reported, which indicates that one category does not dominate the other. It is suggested that the reader compare these listings with their own centrally-purchased items to reveal if other opportunities may exist.

1.4 What are Other Characteristics of Your Purchasing Organizational Structure?

Figure 1-5 summarizes the incidence of firms who have separate purchasing functions for domestic and

**Figure 1-1
Organizational Structure of Purchasing and Supply Functions (Percent Reporting)**

	BELGIUM	CANADA	FRANCE	GERMANY	HUNGARY	U. K.	U.S.	ALL COUNTRIES
Centralized: all purchases are managed by central group	25%	36%	34%	33%	20%	20%	13%	24%
Decentralized: all purchases are managed from each business unit	0%	9%	3%	9%	2%	14%	5%	7%
Centralized/Decentralized: A mix of the two, with largest \$ volume centralized	58%	56%	52%	44%	61%	36%	63%	54%
Decentralized/Centralized: A mix of the two, with largest \$ volume decentralized	25%	20%	10%	24%	16%	40%	25%	24%
% of total \$ purchases that are centralized	60%	71%	78%	65%	75%	47%	59%	64%
% of total \$ purchases that are decentralized	41%	29%	22%	35%	25%	53%	41%	36%
% of total \$ purchases that are "strategic" materials, capital, services	65%	65%	68%	41%	70%	64%	63%	62%
% of total \$ purchases that are "non-strategic," e.g. MRO	35%	35%	32%	59%	29%	36%	37%	38%
% of total \$ purchases purchased by purchasing staff	78%	63%	75%	82%	75%	56%	68%	70%
% of total \$ purchases purchased by non-purchasing staff	14%	21%	14%	11%	22%	22%	17%	18%
% of total \$ purchased by team of purchasing/non-purchasing staff	8%	18%	11%	6%	3%	21%	15%	12%
Purchasing is organized into multi-functional commodity buying teams	38%	24%	28%	44%	8%	16%	47%	31%
Purchasing function organized into two tiers: strategic and tactical	79%	67%	59%	39%	45%	64%	69%	59%
Purchasing uses a lead buyer for key commodities	21%	16%	24%	33%	24%	40%	19%	25%

Figure 1-2
Makeup of Multifunctional Commodity Teams

FUNCTION ON TEAM	BELGIUM	CANADA	FRANCE	GERMANY	HUNGARY	U. K.	U.S.	ALL COUNTRIES
Purchasing	95%	100%	93%	95%	88%	100%	100%	98%
Manufacturing	51%	38%	57%	52%	47%	42%	54%	50%
Research & Development	39%	13%	36%	44%	18%	34%	24%	28%
Engineering	26%	31%	39%	52%	6%	48%	56%	46%
Quality	41%	22%	25%	63%	41%	67%	41%	44%
Finance/Accounting	10%	50%	18%	9%	47%	33%	37%	32%
Marketing	31%	19%	18%	23%	12%	16%	18%	19%
Other	10%	32%	14%	6%	35%	58%	24%	26%
TEAM STRUCTURE								
Teams formally structured	56%	52%	24%	21%	12%	16%	46%	41%
Teams informally structured	67%	52%	34%	21%	10%	20%	20%	33%
Teams are permanent assignments	11%	38%	10%	26%	24%	12%	32%	33%
Teams are temporary assignments	22%	33%	45%	19%	6%	12%	26%	30%
Team is primary responsibility	22%	24%	24%	14%	12%	8%	20%	23%
Team is secondary responsibility	56%	43%	24%	35%	6%	14%	31%	37%
Member of several teams	89%	67%	38%	44%	12%	26%	37%	49%

Note: Percentages may exceed 100% as items are not mutually exclusive.

**Figure 1-3
Commodities Targeted by Multifunctional Procurement Teams**

Accessories	Cellular Phones	Detergents	Generators
Additives	Ceramics	Devices & Components	Glass
Adhesives	Chain	Diecasting	Ground Support Equipment
Advertising Services	Chassis	Distributed Control Systems	Health
Air Circuit Breakers	Chemicals	Drugs	Heavy Mobile Equipment
Aircraft Components	Clinical Services	Drums	Housekeeping
Aircraft Powerplant	Clothing	Electronic Components	Human Resource
Airfoils	Coal	Electronic Parts	Hydraulics
ASICs	Coke	Electronics	Industrial Packings
Automobile Accessories	Combusters	Energy	Information Systems
Aviation	Commercials	Engine Product Line	Information Technology
Avionics	Computer Equipment	Engineering	Ink
Bearings	Computers	Engineering Parts	Installation Planning
Belting	Construction	Engineering Services	Insulation Materials
Boiler Chemicals	Construction Contracts	Engines	Interiors
Bottles & Closures	Construction of Devices	Explosives	Kraft Paper
Boxes	Consultants	Fleet Vehicles	Lab Supplies
Brakes	Consumables	Flouropolymers	Latex
Brass Bar	Containers	Food	Lead Frames
Broadband	Contract Machining	Forgings	Legal Services
Building Services	Controls	Forms/Printing	Logistics
Cable	Copper Cable	Freight	Lubes
Cable TV	Copper Tube	Fuels	Lubricants
Cabs	Corrugated Containers	Fulfillment Forms	Machine Clothing
Calibration	Culverts	Furniture	Machinery
Cans	Custodial	Gas & Diesel	Magnet Wire
Cartons	Dentistry	Gases	Maintenance
Castings/Forgings	Desktop Computing	Gelatin Imaging	Maintenance Materials
Marketing	Packing Engineering	Reactor Cars	Telecommunications Networks

**Figure 1-3
Commodities Targeted by Multifunctional Procurement Teams (continued)**

Mechanics	Paint	Real Estate	Telemarketing
Media Buying	Paper	Refractories	Temporary Personnel
Medical Equipment	Paper Cores	Resale	Temporary Services
Medical Supplies	Paper Machine Clothing	Resins	Test Sets
Memory	PC Workstations	Risk Management	Timber
Metal Components	PCBs	Rolling Bearings	Tires
Metallurgical Products	Performance Chemicals	Rotating Parts	Tools
Metals	Photo Masks	Safety	Trading
Milk Powder	Pipe Valves	Safety Personnel	Transformers
Mill Hydraulics	Plant Site Acquisition	Security	Transmission
Mill Supplies	Plant Support	Semi-finished Products	Travel Services
MIS	Plastics	Services Buying	Turned Parts
Mold Compound	Plug-ins	Silicon	Valves
Motors	Power	Slabs	Vehicles
Mouldings	Powertrains	Software	Wafer Subcontracting
Mountings	Pressings	Specialty Chemicals	Water Treatment
MRO	Pressure Parts	Springs	Watermarks
New Packaging	Printing	Starch	Wire
Nursing and Physicians	Process Chemicals	Steel	Wire Rope
Oats	Production Support	Steel Bar	Wood Pulp
Ocean Shipping	Professional Services	Steel Plate	
Office Equipment	Projects & Contracts	Storage	
Office Products	Promotional	Structures	
Office Services	Property	Switching	
Office Supplies	Prosthetics	Synthetic Bottles	
Ore	Pulp Machine Felts	Synthetic Materials	
Outside Plant	Pumps	Systems	
Package Corrugated	Purchasing of Automobiles	Technical Services Support	
Packaging	R&D Supplies	Telecom Equipment	

**Figure 1-4
Commodities Purchased Centrally to Cover Company-Wide Requirements**

Materials			
Acetate	Coal	Foil	Lubricants
Aircraft Parts	Coil	Food	Machine Parts
Aluminum	Coke	Forgings	Mains
Avionics	Components	Forms, Paper	Malt
Ballast	Computer Software	Fruits	Master Containers
Bearings	Concrete Reinforcement	Fuels	Medical Supplies
Bolts	Connectors	Furniture	Memory Chips
Boxes	Copiers	Gaskets	Metals
Cable	Copper	Glass	Monitors
Cans & Bottles	Copy Paper	Grain Commodities	Motors
Cardboard	Corrugated	Granulates	Mountings
Cartons	Diesel Fuel	Grinding Media	MRO
Casing and Tubing	Doors	Hard Disc Drives	Natural Gas
Cast Iron	Drugs	Hardware	Nuts, Bolts, Washers
Castings	Dyes	Hydrocarbons	Office Equipment
Catalysts	Electronic Components	Hydrocortisone	Office Materials
Caustic Soda	Energy	Inert Gases	Office Supplies
Cellular Phones	Ethylene	Ink	Operating Supplies
Chain	Excipients	Iron Ore	Oxygen
Chemicals	Explosives	Isotopes	Packaging
Chlorine	Fabric	Lab Supplies	Paper
Circuits and Cable	Fasteners	Labels	PCs
Cleaning Supplies	Filing Materials	Latex	Pipe & Fittings
Plastic Bottles	Refractory	Sheet & Bar Stock	Tires
Plastic Resin	Reinforcement Materials	Silicon	Tobacco
Plastics	Resale Brick	Soda	Tools
Plate	Resins	Software	Truck Parts
Polymers	Rolling Bearings	Spare Parts	Turbine Components
Precious Metals	Rolling Mill Products	Spares	Uniforms
Printing	Rotable Parts	Stainless Steel Sheets	Valves
Product Coatings	Rubber	Starch	Wafers
Pulping Chemicals	Safety Supplies	Stationery Supplies	Wheels
Pumps	Sand	Steel	Wire
PVC Film	Screws	Steel Springs	Wire Rope

**Figure 1-4
Commodities Purchased Centrally to Cover Company-Wide Requirements (continued)**

Materials (continued)			
Rail	Seals	Sugar	Wood
Railcar Components	Semiconductors	Tallow	Wood Pulp
Raw Silicon Wafers	Sewing Thread	Ties	
Capital			
Aircraft Equipment	Building Renovation	Construction Equipment	Equipment
Aircraft Interiors	Building Systems	Control Equipment	Extractors
ATM Machines	Cable	Control Valves	Fabrication Machinery
Balance Machines	Cars	Conveyors	Facility Furnishings
Barges	Cellular Equipment	Copiers	Fax Machines
Building Construction	Cnc Capital Equipment	Cutters	Fiber Optic Cable
Building Expansion / Maintenance	Coaters	Distributed Control Systems	Filters
Building Materials	Computer Systems	Engines	Fleet
Forklifts	Maintenance	Plant Equipment	Steppers
Furniture	Materials Handling Equipment	Plant Expansions	Street Renewals
Gas Turbines	Measuring Equipment	Pole Line Inventory	Substation Construction
Ground Equipment	Mechanical Excavator	Pressure Valves	Supplier Tooling
Handling Equipment	Medical Equipment	Printing Presses	Switches
Hardware / Software	Mining Shovels	Process Control Equipment	Switchgear
Haulage Trucks	Mobile Equipment	Process Equipment	Telecommunications Equipment
Heat Exchangers	Mobile Plant	Production Equipment	Tools
HVAC Controls	Motors	Pumps	Transformers
Implanters	New Construction	Rail Cars	Transmission Cable
Industrial Pumps	Office Equipment	Reactors	Transportation Equipment
Installations	Office Furniture	Refurbishments	Turbines
Instrumentation	Packaging Equipment	Rescue Equipment	Utility Poles
IT Equipment	Paper Machine Parts	Safety Equipment	Valves
Lift Trucks	Paper Machines	Sewing Equipment	Vehicles
Locomotives	Personal Computers	Slitters	Vessels
Machine Tools	Photocopiers	Soldering Wands	
Machinery	Photolithography	Steel Fabrication	

**Figure 1-4
Commodities Purchased Centrally to Cover Company-Wide Requirements (continued)**

Services			
Accommodation	Courier	Freight Handlers	Mail Room
Accounting	Credit Reports	Fuel Services	Mailing
Advertising	Custodial Services	Gases & Oils	Mainframe Agreement
Airline Tickets	Delivery	Grounds	Maintenance
Architectural	Dentistry	Groundskeeping	Manpower
Assembly & Test Services	Dispatch	Group Insurance	Manual Labor
Bridge Repair	Disposal Services	Hazardous/Solid Waste Disposal	Marketing
Building Construction	Drilling	Health Care	Messenger Services
Building Plant Maintenance	Earthmoving	Heating	MIS
Cafeteria / Food Services	EDP Services	Hiring Soldering Equipment	Natural Gas
Cellular Airtime	Education	Hotel	Network Construction
Civil Engineering Construction	Electrician	Housekeeping	Ocean Freight
Cleaning Services	Electricity	Hydro-blasting	Office Services
Collection Agents	Employee Benefit	Information Technology Services	Overnight Delivery
Communications	Energy	Insurance	Packaging
Compressor Repair	Engineering Services	Investments	Photocopying
Computer Maintenance	Engraving	IT Maintenance	Plant Maintenance
Computer Operations	Environmental	Janitorial	Preventive Maintenance
Computing	Equipment Maintenance	Labor	Printing
Construction and Mining	Express Mail	Landscaping	Professional
Construction Services	External Auditing	Lathe Work	Programming
Consulting Services	Facility Services	Laundry	Project Engineering
Contract Agreements	Field Maintenance	Legal & Insurance	Property Services
Contract Labor	Fleet Management	Logging	Public Relations
Contract Maintenance	Freight	Logistics / Transportation	Purchasing of Automobiles
Rental Tools	Site Facilities	Storage	Transportation Services
Renting Cars	Software Design	Subcontract Labor	Travel Services
Repair Equipment	Software Development	Telecommunication Services	Tubing Installation
Scaffold Rentals	Software Licenses	Telephone	Uniform Maintenance
Scaffolding Building	Software Maintenance	Temporary Labor	Waste Disposal
Secretarial	Steel Construction Work	Temporary Services	Water Treatment
Security Services	Stone Smelting	Temporary Work	Welders

international purchasing versus those that combine domestic and international procurement. In addition, Figure 1-5 indicates to whom the chief purchasing officer reports; the number of individuals reporting directly to the chief purchasing officer; and the percent of firms reporting that their purchasing organization's head count has increased, has been stable, or has decreased over the past two years. Of interest are the following differences among countries: 1) French companies strongly combine the domestic and international purchasing activities; 2) An above average number of Belgian and German firms' CPOs report directly to their top executives' office while the corresponding number of Canadian firms was well below average; 3) The CPO's span of control for German firms is over three times the average, while Hungarian firms' is about one fifth the average; 4) Finally, it seems that about an equal number of all reporting firms have experienced an increased, stable, or decreased purchasing headcount, with the U.S. reporting that nearly half have experienced a decrease in staff.

1.5 What Changes Do You Believe *Will Occur* in the Next 3-5 Years in Your Company's Purchasing Organizational Structure or Size, and Why?

See Figure 1-6 for representative written responses.

1.6 What Changes Do You Believe *Should Occur* in the Next 3-5 Years in the Way Purchasing and Supply Functions, in General, Should Be Organized, or Sized, and Why?

See Figure 1-7 for representative written responses.

Summary and Conclusions

Several themes emerge from the research. First, the use of multifunctional teams continues to be an important structural form. Second, while there is movement both ways—from centralized to decentralized, and the reverse—a mix of the two extremes seems to be the dominant form. Third, several firms report they are offloading transactional activities to others, while concentrating on more strategic functions. Fourth, firms continue to downsize the functions for various reasons, including the increased use of automated systems, as well as general cost reduction pressures. Finally, and probably most important, is the trend of major structural overhauls toward “integrated supply chains” or “networks” that both smooth and quicken the flow of materials and information, both up and down the supply and demand chain.

**Figure 1-5
Other Characteristics of Purchasing's Organizational Structure**

DOMESTIC V. INTERNATIONAL	BELGIUM	CANADA	FRANCE	GERMANY	HUNGARY	U. K.	U.S.	ALL COUNTRIES
Domestic and international purchasing combined	59%	58%	72%	67%	61%	42%	38%	53%
Domestic and international purchases purchased separately	26%	21%	10%	28%	24%	30%	39%	28%
CHIEF PURCHASING OFFICER (CPO) REPORTS TO:								
President/CEO/Managing Director	41%	7%	21%	35%	19%	12%	18%	21%
Executive Vice President	0%	11%	52%	2%	21%	8%	21%	14%
VP of Finance (CFO)	5%	36%	10%	21%	9%	20%	12%	17%
VP of Manufacturing Operations (COO)	41%	14%	3%	26%	19%	8%	21%	17%
Other	0%	32%	14%	16%	32%	52%	29%	31%
CPO's SPAN OF CONTROL								
Average # of direct reports	4.26	5.26	1.74	36.25	6.16	7.06	5.89	10.65
Purchasing head count has increased	17%	18%	32%	15%	22%	52%	30%	27%
Purchasing head count stable	52%	48%	54%	42%	43%	13%	23%	35%
Purchasing head count has decreased	31%	34%	14%	44%	35%	35%	47%	38%

Note: Percentages may not sum to 100% due to non-response.

Figure 1-6
Purchasing Organization Structure Changes That Will Occur (And Why?)
in Respondents' Firm – Next 3-5 Years

Belgium	
WHAT CHANGES WILL OCCUR?	WHY?
Evolution towards global purchasing and emphasis on logistics	Automotive becomes global and lead-times are key element
Less attention to transactional purchasing and more to strategic procurement	Added value
Increasing purchasing activity	More outsourcing
Better qualified purchasers, more teams, less suppliers	Cost!
More focus on globalization and strategy	Core activity of modern purchasing
Purchasing/engineering will melt together	Restructuring
Control the process on a higher level and delegate or automate administrative tasks and call-offs	Lost efficiency and increase added value
The internal customer will do the call-offs	Purchasing can concentrate on strategic tasks as a buyer and a provider of information logistics services
Call-offs will happen on the work-floor	
More authority to other departments	More strategic work
Tendency to centralization instead of decentralization	Control less and additional costs are too high
Division of strategic/operational purchasing, decentralizing operational activities	Growing to world class sourcing
More centralized purchases on group level	Bundling of purchases to create more power
More product teams, international cooperation within teams	Bigger, making logistics more efficient
More involvement in strategic decision concerning outsourcing – more European coordination – more flexibility	Outsourcing of purchasing activities (purchasing less operational)

Canada	
WHAT CHANGES WILL OCCUR?	WHY?
1. Shift towards electronic data interchange will affect structure. 2. Domestic and international purchasing activities will be handled by separate organizations and will have an impact on size.	Established unit in U.S. responsible for International have their own procurement group. Also EDI will cause refocus of activities towards "value-added" from processing.
Increased contracting out, increased supply management	Divest non core support function, continue inventory reduction
Less corporate staff, more use of lead buyers in business units	Responsiveness to operations yet still gain scale economics
Could become more centralized	New materials system is all on line
More standardization, less suppliers and transactions	Better control, services improvement, less cost
Reduce in size plus special negotiations teams	More efficient. Will understand their part of the business better.
Further decentralization of transactions. More activity by purchasing in management of suppliers and training of users.	Purchasing becoming more strategic and being involved in value added activities
Nil increase	EDI and EC will reduce need for more staff
Further staff reductions in lieu of "junior" positions	Automation will provide for staff redundancies

**Figure 1-6
Purchasing Organization Structure Changes That Will Occur (And Why?)
in Respondents' Firm – Next 3-5 Years (continued)**

Canada (continued)

WHAT CHANGES WILL OCCUR?	WHY?
Globalization and strategic alliances	Cost and quality
More focus on supplier development and true partnerships	Material cost is 80% of our product
Downsized	Product being outsourced
Our organization will decrease further in size	Reduced government funding
More synergy between independently run but affiliated members of our group	To cut costs and increase efficiency
A more globalized approach will be taken	Capitalize on national and possibly international agreements
Regionalization – we will become a corporate department rather than site special	
Will decrease in structure	Going to shared services in U.S.
Decrease by 20%	Less supplies and EDI(technology) – 1-10 suppliers
Smaller staff with smaller number of suppliers and extensive use of EDI	Achieve operating efficiencies
Computerization, MRP II implementation	Increase advantage and efficiency
None	If it is cut any more – It's gone
Hospitals are closing/merging and purchasing will be more centralized and regionalized	
Likely to become part of larger centralized group	Improved efficiency lessening administration costs

France

WHAT CHANGES WILL OCCUR?	WHY?
The externalization of some purchasing activities; the professionalization of the purchasing function; the development of a centralized purchasing center; increasing subcontracted purchasing and supply activities	More specialized buyers, especially on the international level
The expected changes concern the centralization of some of the purchasing activities within the same division	Company X was taken over by the Company Y
Reducing the number of suppliers. Diversifying the company's suppliers.	Flexibility, productivity
More centralization of the purchasing activity	Increasing competitiveness
Buyers' specialization in strategic purchases; involving buyers in company's management	Recognizing the important role of the purchasing function within the enterprise
An expected fall of about 10% to 20%	Due to the competitiveness scheme adopted at the company's level
Purchasing centralization on the level of the group's European headquarters (on an international purchasing center)	To reduce the costs of the globalization process; single-source, etc.
In order to improve the purchasing function performance, the number of people working on partnership development will be reduced.	Decentralized purchasing order with concentration on the purchasing function itself
More and more centralized purchases. Productivity and rationalization.	

Figure 1-6
Purchasing Organization Structure Changes That Will Occur (And Why?)
in Respondents' Firm – Next 3-5 Years (continued)

France (continued)

WHAT CHANGES WILL OCCUR?	WHY?
Regrouping the purchasing and supply function, decentralizing this function with local buyers	Coherence in dealing with businesses, feedback
More centralized purchasing department. Working for leading buyers.	Increasing the role of buyers
Shortening the purchasing order time with less and less important programs, suppressing the intermediaries	Reducing profit margins
The head of the purchasing department will certainly be changed in favor of a competent person specifically qualified in purchasing	The increasing importance of the purchasing function within the enterprise
Strengthening the link with selling teams. Anticipating the future needs. Having a synthesis ability (a critical role).	Being more attached to fieldwork
Generalizing the use of multifunctional teams in strategic purchases. Simplifying the purchasing/supply activities linked to non-strategic items. Reducing activities with low added value.	Important fall in market prices of rail equipment. Reducing the preparation time for delivery to customers. A better use of computer technology.
Centralizing the purchasing on the site level	Reducing the costs and improving the organization
Professionalizing the buyers	Importance of the purchasing function in the reduction of costs
Taking over supplementary centralized purchasing functions, especially on computing and other important service activities	Better control of expenses; reduction/simplification of the company's supply points, regrouping the needs of the company's different functions into one contract
The portfolio of the company's purchases is going to be enlarged. To keep an eye on market development, multifunctional purchasing teams will be created.	Competitiveness is an absolute necessity
To separate clearly the purchasing function (negotiation and marketing) from that of the supply	Integrating the supply function within production
The non-specialist buyers will have specific missions which will allow them to become heads of products and supply studies departments	The buyers' determination to buy otherwise and elsewhere

Germany

WHAT CHANGES WILL OCCUR?	WHY?
Delegating of operative tasks to disposition	Line organization of product ranges
Supplier integration; Procurement and materials engineering in same department	
Due to globalization of purchasing activities further tasks are assigned to global sourcing teams	
Main focus on supply chain management	Optimization of processes
Centralization	Costs for coordination and controlling
More and more chaos	More and more sub-units, joint ventures and so on
No changes expected	
New materials, new markets	Changes of markets

**Figure 1-6
Purchasing Organization Structure Changes That Will Occur (And Why?)
in Respondents' Firm – Next 3-5 Years (continued)**

Germany (continued)	
WHAT CHANGES WILL OCCUR?	WHY?
Internationalization, looking after factories abroad, reorganizing EDP, simultaneous engineering	Competitiveness, flexibility, international demand, cost responsibilities, rationalization
Installation SAP R/3; empower service units	To become more efficient; outsourcing
Empowerment of commodity purchasing teams; automate procurement; more focus on strategic aspects	
Process of decentralization will go on	Lean completion
Focus on strategic issues	Cost savings
Centralization of purchasing, planning, logistic planning for clear responsibilities	
Decentralization will go on	Reinforcing profit-center-organization, customer-focus, construction of the product
Internationalization and therefore training of experts	
Expansion global sourcing; better quality of suppliers	Keen competition of the foreign companies
Reinforced globalization	Prices
Rise of global sourcing	Further internationalization of the company
To be shortened by 25%	Cost pressure; use of edp-systems
Increasing complexity of tasks, internationalization	Reduction of shares of production, cooperative projects
Installation of SAP-System	
Separation of R&D/strategic/operative supply management	
More operative purchasing	
Further globalization and coordination	
Increasing centralization	Economies of scale
Integrate the operative part of the purchasing in the logistics	The strategic / creative purchasing must act more effectively
Decentralization	Foundation of independent units / departments
Material-group management: purchasing teams	Usage of corporate synergy and know how
Further decentralization	Cut in complexity
Strong increase of global sourcing	Global orders
New PPS-System / supplier controlling / EDI	Logistics is more important than price
Reengineering of the whole organization	
Materials group management	Increase bundling of quantities, cost reductions
More focus on global supply markets, kanban, outsourcing of quality assurance to suppliers	Cost reductions
Focus on strategic purchasing tasks; (i.e., supplier management; logistic management); delegation of operative purchasing tasks	Reengineering of purchasing processes
Better purchasing power due to bundling of demands, integration into materials management, shortened business processes with impacts on prices	
More focus on strategic purchasing / delegating of operative purchasing to disposition reasons: avoiding double carrying out; time advantages	
Reduction of organization continues; more and more internationalization	Customization to development with company/branch

Figure 1-6
Purchasing Organization Structure Changes That Will Occur (And Why?)
in Respondents' Firm – Next 3-5 Years (continued)

Germany (continued)

WHAT CHANGES WILL OCCUR?	WHY?
Decentralization, optimization of logistics	Organizing to profit centers, improvement potentials
Centralization within the group, less administration, more work in front end	Consequent bundling of demands-increase purchasing power, universal application ABC priorities at the specification of purchasing tasks
Interdisciplinary teams will be set up	Transparency of information, bundling of strengths
Further globalization, further coordination	Changes in the market, cost cutting potentials
Service center	Implementation of business units
Increase of procurement research, purchasing cards, EDI	Concentration of suppliers, globalization of the market, "paperless" operations
Meaning of procurement is stressed; centralized purchasing within the European company's structure, increasing meaning of global sourcing	Stronger competition due to concentration in the branch with pressure to reduce costs
Organizational change, increase of specialization know how and qualification	Pent-up demand
Decentralization	
Decentralization of the procurement, key products are bundled up, global sourcing	Economies of scale
Stronger global sourcing; organization of purchasing has just been changed	Procurement must adapt to basic conditions

Hungary

WHAT CHANGES WILL OCCUR?	WHY?
No changes	Efficient
Increase of the purchasing activities of the European companies	To increase efficiency
Centralization, decreasing the number of purchasing staff	High cost of decentralized purchasing
Increasing importance	Integrated logic systems are just being implemented
Increasing the number of purchasing staff, broader competence	Privatization, increasing sales
Reorganization and centralization of purchasing of materials and equipment	To formulate a modern logistics system, larger volumes
No change is expected	The former centralized system has been decentralized a few years ago, this reorganization of purchasing resulted in lower inventory levels and more efficient supply
Centralization	Decrease costs
No major change	Company operates several small business units which are responsible for their own daily supplies, only the high value purchasing are centralized
Centralization of all purchasing activities	
Change is not expected	
Not expected	
SAP has been introduced, the organization has to get used to it	

**Figure 1-6
Purchasing Organization Structure Changes That Will Occur (And Why?)
in Respondents' Firm – Next 3-5 Years (continued)**

Hungary (continued)	
WHAT CHANGES WILL OCCUR?	WHY?
Not expected	Reorganized not long ago
No change planned	
Not foreseeable	Uncertain economic situation
Not planned	Just been organized
Reorganization and centralization of purchasing of materials and equipment	A new plant has been acquired in Hungary, the purchasing organization has to be adjusted
New information system	Reliable planning
Change is not planned	
More qualified staff	
Substantial	Privatization
No change	
New organization has just been formed in September 1996. No major changes are expected	
No such plans	
Centralization of certain materials	Cost reduction
The company will be privatized in the near future, so changes are unpredictable	

U.K.	
WHAT CHANGES WILL OCCUR?	WHY?
Consolidation of all purchasing	To leverage all company spend
Incorporate logistics function into purchasing	All supplier activities in one department
Increase by 10%	More strategic initiatives
Any acquisition or merger will influence the size of purchasing	
Some centralization	Economy of staff costs
Downsize processing functions	Greater reliance upon it to manage routine transactions
More centralization of purchases at an international level. Therefore a slight decrease in headcount at local level.	Common international needs/suppliers, best practice/technology, significant cost savings
More multi-function teams, more customer focused structure	Government White Paper
Roles and responsibilities of negotiators clearly separated from those of contract drafters in order to give negotiators greater autonomy and clearer focus leading to increased number of negotiations	Nature of business changing. Greater emphasis on large one-off projects
Continue downsizing (by further 25%)	Short-term cost cutting (staffing/running costs)
Reduce in number as it becomes more strategically focused	Traditional purchasing will be devoted to the users
Tend to centralize	To regain control of supplier relationships
Awareness for our members of the organization in strategic purchasing	As purchasing demonstrate additional benefits other than reductions in cost
Should increase in size	Take on 5X more responsibility

**Figure 1-6
Purchasing Organization Structure Changes That Will Occur (And Why?)
in Respondents' Firm – Next 3-5 Years (continued)**

U.K. (continued)

WHAT CHANGES WILL OCCUR?	WHY?
Decentralization into business units	To reduce supply chain and operational costs and to integrate procurement to a more strategic role
Move to clinical and cost effective based service will lead to more multifunctional teams focused on managing supply and demand	
Procurement will be devolved, but in reality the core function of a major part of the organization will be/is supply chain management	The purchaser/provider split, self preservation
Centralized / decentralized	Global growth
It will decrease	It will automate much of the clerical work
More decentralization but greater use of corporate leverage	Value added and contribution to bottom line up to 70% of revenue spent
Remain static, perhaps increase by one	To consolidate 10% non-core spend
Big changes; more cross functional and decentralized; will be focused to look at group needs	To reduce costs
Purchasing will become strategic, and more multi functional, increased development of activities into business units	Because of the strategy introduced to change from traditional to strategic
Introduction of group purchasing director	To coordinate business unit procurement in order to save resources
More decentralization to business, purchase cards	Remove non-value adding tasks
Global sourcing	Market changes and company policy
Total numbers will reduce; ordination between business units will increase	Need to cut costs – will be facilitated by increased efficiency – devolution as gone far enough
Purchasing will become a more strategic activity	Budget pressures and recognition of supply chain management
Stabilize, focus more on revenue areas of expenditure	Changes to capital program, increased pressure on revenue budgets
Decrease in the number of purchasing staff	Due to more centralized purchasing
Slight increase centrally, decrease overall	Excessive reduction of C & P, rationalization
In the first 2 years, head count will rise, then fall thereafter	Focus on centralization, followed by devolved buying
Increase in corporate ad multi-group procurement	Because we are leading the direction
The purchasing and supply function will be dissolved. That is absolutely true. The function will be dissolved in view of directors taking over “jobs” again. In directors’ mind, staff is nothing but tools. As soon as tools are expended they will dispense with them. However, the present purchasing manager is complacent and does not believe this will happen.	Customers tend to source direct from our manufacturers. What we play is just the role of importer, middle-man.
Continue downsizing by 25%	Short-term cost saving – staff/ running costs

**Figure 1-6
Purchasing Organization Structure Changes That Will Occur (And Why?)
in Respondents' Firm – Next 3-5 Years (continued)**

U.S.	
WHAT CHANGES WILL OCCUR?	WHY?
More emphasis on information technology will result in 10-20% increase in headcount	Recent emphasis on purchasing indicates very under-staffed
Decrease in size	Due to sourcing of similar parts
Will stay approximately the same. Improved processes will handle workload. Staff will focus on future developments technologies	Electronic commerce activities, blanket orders and investigate and/or identify more opportunities for leveraging combined volume purchases
Reduction in admin/store room personnel	Integrated systems, integrated suppliers
Decentralized purchasing will decrease in size	Implementation of new materials management/ maintenance system
Will continue to decentralize the function.	Are finding team environment by SBU more effective
More consolidation of global responsibility, more emphasis on supply chain	The company is becoming more global, we are driving supply chain excellence
Greater use of electronic commerce, more decentralized procurement using pre-agreed suppliers	Better, faster, cheaper
Anticipate another 15-20% reduction in the next 3 years	Corporate restructuring to combine purchasing groups globally
More teams, more global teams, one more person on my staff	Need for greater leverage and economics
Merger will be completed and purchasing will get smaller by 40% in 3 years and org people will be dispersed more into operating departments	
Continual decentralization	Current philosophy
Structure will remain the same. Headcount about the same, but different mix (more professionals)	Improved systems and more strategic involvement
Certified buyers, procurement cards, managed buying	For professionals, networking, and reduced paper
Structure: more interaction with customers. size: +10%	Growth through providing procurement services on stand-alone basis
Increased scope; decreased headcount	Continuing centralization and automation
Increased electronic commerce with 35% less suppliers	Company strategy
Merging with other affiliates	Improve leveraging
Reengineering will result in commodity teams	Implementing and managing strategic alliances resulting in less overall purchasing personnel
Purchasing will shift more resources to strategic sourcing functions which facilitates long term, big dollar savings for the corporation. Gap on the tactical functions side will be handled by automation, appropriate strategic alliances	Strategic sourcing and planned procurement equals cost savings (shareholder value)
Continued maturation of centers of excellence organizations	Greater focus on commodity issues
Stay same	Currently restructuring
Constant	Team members will manage more alliances and utilize supply management processes
Slight increase in head count	We are moving into areas not previously our responsibility (professional services, due diligence, integrated strategies)
Will stay same, but activities will change with utilization of teams	

**Figure 1-6
Purchasing Organization Structure Changes That Will Occur (And Why?)
in Respondents' Firm – Next 3-5 Years (continued)**

U.S. (continued)

WHAT CHANGES WILL OCCUR?	WHY?
Will remain approximately in its current size/structure	Currently fine tuning changes introduced in past 2 years that have problems; very successful to date
85-90% of total spend will be managed by purchasing	Business environment requires cost-effective procurement
Outsourcing of materials handling and MRO purchasing	Cost reduction
Increase	Upturn in aerospace industry
Organization will be flatter, smaller and will reflect a matrix structure	Through process improvements, reducing supply base, utilizing latest systems technology, and moving up the value chain by focusing less on transaction management to strategic supplier relationship management
Further consolidation and transactional efficiencies	Operating cost reductions
No change; but may decrease purchasing staff at manufacturing locations but increase at staff level	
Initiated implementation of purchasing shared services in 1996 with completion targeted in 1997	Reduce total cost of chemical/MRO to support low-cost commodity producer strategy
Decrease	Automation, EDI, MRP, purchasing card
Moving from transaction-oriented to supply base managers	More efficient
Fully centralized organization in purchasing	Improved focus, leveraging, cost
We will increase staff by one buyer	Initial cut was too deep and by adding we will be able to be more pro-active
None, unless there is a significant change in the commodities required	Structure is effective and we have capacity due to rationalization of supply base
Org. size may decrease, but structure will change focus on developing portfolio of complementary skills that will enable the org to optimize value chain	Structure will change to address increased globalization of procurement function, shift from transactional/tactical focus to more strategic focus, and more of a consulting role
Increase by 20%	
Consolidation	Merger with Company X
Less decentralized purchasing people in our plants	New system implementation, an integrated supplier process and reengineering
Increase use of commodity teams; decrease in material handling associates	Improve use of leverage, increase reliance on suppliers
More decentralized and more cross-functional teams	A better way to attack the buy and bring more people into the process
Stable	Growth of business and purchasing dollar will be offset by systems, improved processes, consortium aggregation activities
Continue to downsize and merge functions under fewer supervisors	Reduce costs; improve productivity
Size will decrease	Productivity improvements, fewer suppliers, users are being directly linked to suppliers for transactions
Reduce by a further 20%	More global contracting, reengineering of transaction processes
Additional compliance, international responsibility, streamlining, economics of scale, A/P responsibility	Ongoing implementation of new organization
Increased involvement in proposal activity; aggressive pricing strategy with key subcontractors	Design for manufacturability / Design for assembly and foreign sales

**Figure 1-6
Purchasing Organization Structure Changes That Will Occur (And Why?)
in Respondents' Firm – Next 3-5 Years (continued)**

U.S. (continued)	
WHAT CHANGES WILL OCCUR?	WHY?
Integrate and streamline the supply chain process and systems	To gain competitive advantage in service, cost, and cycle time
Implementation of IT will cause more purchasing efficiencies	Reduce the need for paperwork
Growing decentralization	Multinational operations/manufacturing started
Maintain or increase size slightly, or if merger occurs, reduce size of overall combined organization	Workload is increasing for existing org. if merged, overlaps of product lines will occur and be eliminated. Increase results/methods staff.
Increased focus on strategic sourcing opportunities	Cost savings potential
More centralized control—strategic commodity teams	Offshore sourcing—need for higher quality suppliers
Increased focus of resources on strategic issues; decreased tactical focus on people. Overall—fewer people	Recognition of the impact of strategic purchasing
Increased size, greater specialization	Support more global coordination, strategic planning/research and increased involvement in non-traditional purchasing
Size will remain about the same, but resources will shift from tactical to strategic	Implementation of transaction elimination strategies
Size will decrease	In the midst of launching new org. due to purchase of another co. once control established, we will downsize
Will grow another 10% – 20%	Business is growing; however, human resource gains will be tempered by technological gains that will increase efficiency
Size should remain the same	
Will continue to grow	Increased responsibilities internationally
Size of purchasing department will shrink	Due to automation such as EDI, barcoding
Will form more cross-functional teams	To better commercially leverage spending
More movement toward centralization and utilization of preferred suppliers	Cost advantages
Size of organization will remain unchanged. Our scope and influence will increase. We will outsource more. On-line ordering, movement to consultative service and supplier management	
Must increase in headcount, trend toward centralization	Functional awareness, need for leverage
More information systems, fewer people	
Unsure—potential merger with Company B will impact	
Globalization of materials management	Provide greater leverage opportunities
Move from centralized to decentralized purchasing	Stronger tactical focus for product line
Greatly (+50%) increase	Due to strong growth of company and industry
We will continue to hire people with technical backgrounds	Plus an MBA in order to cut head count
Commodity products and services will exclusively be procured by the “Strategic Sourcing Teams”	Active involvement of business units in the procurement process
Further centralization of authority and reporting	Standardization and leveraging
Reorganization will occur, slight to moderate decentralization and then consolidation. Some international consolidation will occur	Current customer focus will give way to a desire for total supply chain integration

Figure 1-6
Purchasing Organization Structure Changes That Will Occur (And Why?)
in Respondents' Firm – Next 3-5 Years (continued)

U.S. (continued)

WHAT CHANGES WILL OCCUR?	WHY?
Size will increase	Adding international sourcing team
Continue to decrease with increased analytical and computer skills	Fewer suppliers, supplier relationships, technology
Overall headcount will remain fairly flat, though professional levels will increase. International buying will become more centralized.	Automation of purchasing system, and focus on South America franchise
Continue to downsize and be moved into customer organizations	Cost reduction
Expect org. size to remain relatively stable	Competitive unit cost pressures will be offset by growth in electronic commerce and achievement of corp. growth objectives
Decreased	More EDI
Complete reorganization of units	Strategic sourcing efforts
More strategic-less tactical; downsize	More value to corporation; business closure
Will become more global and centralized; combined will reduce in size	Opportunities exist to leverage scale-and information technology will aid in reducing barriers
Closer link with marketing, smaller, global corporate responsibility	Competitive pressure

Figure 1-7
Purchasing Organization Structure Changes That Should Occur (And Why?)
in General – Next 3-5 Years

Belgium

WHAT CHANGES?	WHY?
More purchasing professionals	Cost savings, strategic advantages
More collaboration with other departments	Costs
More purchasing visibility, more involvement early in the decision process	Costs!
Purchasing has to report to the CEO	Measure strategic things: product support, vendor support
Purchasing is bound to specifications – more freedom	Safety specs are too severe and expensive
Automation through central housing	
Involve suppliers in product development	Optimal control of quality and logistic processes

Canada

WHAT CHANGES?	WHY?
1. Centralization of strategic purchases and staff. 2. Combination of procurement and accounts payable sections.	1. EDI will reduce need for accounts payable staff. 2. Better cost controls.
Materials management should evolve to total logistics with purchasing element the major component	Most purchasers already possess a more general knowledge.

**Figure 1-7
Purchasing Organization Structure Changes That Should Occur (And Why?)
in General – Next 3-5 Years (continued)**

Canada (continued)	
WHAT CHANGES?	WHY?
Substantial downsizing	EDI and greater use of supplies for supply management
More tendering (competition bidding)	We have moved too far to the partnership side
Supply chain management – only way to go	We need better coordination of supply chain activities
More strategies in line with organizational goals	To make the best contribution
Reduce in size, plus special negotiations teams	More efficient. Will understand their part of the business better
Departments may have to increase in size	Purchasing now involves more than just purchasing
Further decentralization of transactions. More activity by purchasing in management of suppliers and training of users.	Professional management of the supply chain is now being recognized as an important strategic direction and source of increased profit and sustainability
Director of logistics should be created	NR
Cross functional teams, centralized/decentralized	Improved customer service
Purchasing should be incorporated into supply chain management operation	To give our customers the service demanded
We should have more centralized purchasing	It is an advantage to combine volumes and leverage better pricing
More technical expertise required for buyers. More commodity teams for sourcing decisions.	NR
Purchasing departments should further integrate into the strategic management of the corporation	It makes sense and as long as a professional approach is taken by purchasing; it will evolve naturally
More involvement as a consultant in material management	Improve service and efficiency – use the only so-called “experts” in the field
Implement EDI (better communication)	Need to be more efficient
Improved information systems	As staffing levels decrease we need information functions and present technology can’t provide us, adequately.
More global outlook and increasing efficiency in transport and customs clearance will lead to more completion than ever before	Organization of one’s purchases and purchasing activities will become more and more vital as the opportunities (and subsequently the workload) increases with no increases in staff becoming the norm
Closer/elevated reporting relationships with senior management	Establishes accountability for contributing to company profitability and adding value to share holders
Must move to strategic planning and not be caught up in order placing and limited value	NR
Centralized purchasing with purchase orders required	To control costs
Purchasing/Supplies services has to become less operational and more client/dept. facilitators	In order to accommodate the need and increase purchasing supplies and services knowledge base
Greater use of technology and media such as internet	To promote open competition and more efficient logistics operations
Outsourcing, if done right, should be considered in all service areas thought not to be “core”	Improved efficiency, services and reduced costs
Increase systems to integrate procurement from engineering documentation through to purchase order issuance	Efficiency
More centralized “leveraging” and decentralized transactional activities	Most efficient

Figure 1-7
Purchasing Organization Structure Changes That Should Occur (And Why?)
in General – Next 3-5 Years (continued)

Canada (continued)

WHAT CHANGES?	WHY?
Stronger “central” functions needed to stimulate activity. Those doing it as part of their real job are not active enough.	
More effective value added projects	
More contract management; less of actual purchasing – decentralized teams	As a result of downsizing
Regionalized, high degree of technology with some degree of autonomy to each hospital	

France

WHAT CHANGES?	WHY?
To separate strategic from operational purchasing activities to improve the purchasing function performance in relation to other functions within the enterprise	In order to structure more efficiently the purchasing function
More upstream purchases. More conception at supply points.	To improve partnership relations with the suppliers
Equal importance should be given to the purchasing function, supply activities and stock management.	In addition to purchasing the buyer should be highly involved in daily operational activities linked to the purchasing functions and logistics
Linking the purchasing function to the top level management	Purchasing activity is considered a strategic function within the enterprise
Deepening the purchasing tasks (suppliers, accountancy)	Focusing the buyers’ effort on their main activities
If we take into consideration the existing fierce international competition and the move toward globalization, the only solution to reduce costs will be through staff reduction	
Equilibrium between centralization and decentralization	Efficiency and precise responses to customers’ needs.
A real recognition of the important role of “coordinators and organizers” in the purchasing function	This is the only way to successfully improve the performance of purchasing: functions, within the enterprise
Recognizing the role of the purchasing function should be an important factor in the company’s development	Being more preoccupied with process (a central importance)
Develop benchmarking with other companies within the same sector. Developing the marketing function. Developing partnership relations.	Find the best way to reduce the purchasing costs
Centralizing	Reducing the costs.
Getting the purchasing function more involved on the level of the company’s input producers. The purchasing function will be represented at the company’s top management committee.	A better involvement of the purchasing function with the producer’s project of the company’s inputs
Flow optimization (MRPII). Environmental normalization.	No place for error.
“Lead buyer” on the level of the group. To develop the purchasing function through the creation of multifunctional teams.	Progress in the requirement level. Progress in the feedback mechanism.

Figure 1-7
Purchasing Organization Structure Changes That Should Occur (And Why?)
in General – Next 3-5 Years (continued)

Germany	
WHAT CHANGES?	WHY?
Recognition of purchasing as a source of competitive advantages. Involvement of procurement in decisions on market and company goals.	
Improvement of operative and strategic thinking	Purchasing is becoming more and more cost management
Bundling of demands	Focus should be again on prices and costs
Realization of share of materials on total sales, earlier involvement in decision making aspects of materials and locations	Influence on costs, quality, dates. Purchasing is not as important as it should be
More professionalism	
Less operative, routine tasks	More time to purchasing market research
Reduction of administration utilizing suitable tools	
Proper balance between decentral and central organization	Structure of a medium-sized company must be combined with the advantages of a trust
Preservation and training of the permanent staff; reduction of routine jobs due to use of EDP	
Reduction of suppliers base	Concentration on core competencies improvement competitiveness
Modern communication means; connection with Internet	Faster carrying out; increase readiness to deliver
Further integration of sales department and R&D, involvement from the beginning instead of trouble shooting	
Strategic purchasing should be centralized, operative purchasing partly decentralized	
More confidence and cooperation	
The purchasing should be actively supported by the management	The statement “the supply management spends the money”
Purchasing ought to be more active, self-confident	
Higher degree of centralization	Better terms (economies of scale), better transfer of information
Complete standardization of products and parts	Prevention from exploding process costs
Procurement should sustain strategic business unit policies, more focus on procurement marketing	
Recognition as a success factor; in the past procurement was regarded as necessary, but operative function	
More focus on cost and stock management; early involvement of purchasing into product development	
More intensive partnerships	
Recognition of the greater impact on the performance of the company; stronger globalization, modular sourcing, less manufacturing penetration	
Early involvement into business processes, higher regard of procurement within the company	Increasing share of purchasing volume on total turnover
Stressing of the strategic meaning of procurement, respect of the procurement’s high impact on financial results	Changes in the market
Increasing global sourcing	Minimization of risks, reduction of costs

**Figure 1-7
Purchasing Organization Structure Changes That Should Occur (And Why?)
in General – Next 3-5 Years (continued)**

Germany (continued)

WHAT CHANGES?	WHY?
Specific materials management board, organized as profit-center, stronger strategic implementation	40-60% of the results are influenced by the materials management department
Outsourcing of procurement; higher personnel qualification; EDI	Cost pressure, lead time reduction
Procurement should exist of three parts – central buying office – project procurement – strategic procurement	Would be more efficient
Should get more acceptance by management	
Procurement ought to be a part of strategic management process	Closer cooperation with business unit
Success for global sourcing activities competition on supply markets must be reinforced	

Hungary

WHAT CHANGES?	WHY?
Centralization, integrated information systems	
Centralization, develop more reliable purchasing plans	Clear responsibilities, to enhance reliability
Centralization	Because of the advantages of centralized purchasing, in terms of price and financial planning
More trained staff who speak languages (English, German) and able to use PCs	
Centralization	More effective, more efficient
Centralization of the purchasing activities	

U.K.

WHAT CHANGES?	WHY?
Far more cross functional teams	To improve communications, team-working
Should decrease	Strategic partnership should take a move
Greater control of tactical and strategic purchasing issues, less involvement in operational management	To purify professional status
Delegated international supply function not centralized	Expertise centralized is risky, local motivation decreasing
Higher profile. Empowerment from above	Enable purchasing to contribute strategically to organization
More input in decentralized areas for purchasing decisions	As we market the need to be involved at the start and not just completing the deal
Slight downsizing of existing lower skilled personnel and recruitment of higher skilled staff	
Decentralize plus strategic procurement areas to create leanness as a response to competition	
Further deployment of purchasing agencies lower down the supply chain	
Even more value – purchasing up 80% plus introduction of strategic procurement management	Because the company will benefit

**Figure 1-7
Purchasing Organization Structure Changes That Should Occur (And Why?)
in General – Next 3-5 Years (continued)**

U.K. (continued)	
WHAT CHANGES?	WHY?
Buyers should concentrate on all areas of external resource management	To learn and develop best practice
Stop being a function – become part of the process	Cost reduction and more focused business
More input into procurement rather than purchasing	Stock control, phased deliveries under purchasing will effect savings
In project specific environment there needs to be a total alignment	OEM, first tier, 2nd tier etc. is an poor approach and an oversimplification that is not lean and needs to be developed
Purchasing should be involved in 100% of spending	Empire protection
There needs to be a closer relationship with what will become long term strategic suppliers	Because today the potential benefits are not being achieved due to lack of economies of scale and poor supplier customer management
Recognition of purchasing as a profit center within the company	
Strengthening of central purchasing with more professional staff	To achieve cost savings and better procurement methods across the group
Level of professional input should be maintained or increased	Reducing numbers of staff overall must not impact on quality of service
Purchasing needs to be lean and efficient but placed at the organizational center	Need to focus on the impact purchasing can make to all activities
Move towards centralization and greater professionalism through training and exposure to best practices via benchmarking	Improved purchasing power and coordination – more efficient way of data collection and performance measurement
Purchasing and supply profession should be of the same status as other chartered bodies like accountants, architects, surveyors, doctors, dentists . . . It is because companies realize that strategic procurement can really add value to an organization more and more chairs for purchasing and supply profession will be opened.	
Higher profile, backing from top offices, set long term strategies	To enable function to become part of corporate strategy

U.S.	
WHAT CHANGES?	WHY?
Integration of information technology as part of purchasing. All communication in supply chain should take place electronically.	Transaction costs can be significantly reduced
More customer and supplier focus; managed supply chain	Chain: both inbound and outbound
Less purchasing folks; more long term contracts; user released materials	Better pricing, increased efficiency
More energy on new systems technology to reduce non-value added time and expense	
We need better info systems to provide service globally	World market is demanding more efficient and effective processes

Figure 1-7
Purchasing Organization Structure Changes That Should Occur (And Why?)
in General – Next 3-5 Years (continued)

U.S. (continued)

WHAT CHANGES?	WHY?
More staff in purchasing to manage suppliers and add-in value to the bottom line	
Should get smaller. More emphasis on strategic activities, day-to-day should be performed in operating areas. More outsourcing of services and activities.	We're going this direction
Increase department size and responsibility	Assume total control of inventory management and expediting
More strategic involvement in more "non-traditional" purchasing areas	Large amounts of dollars being committed without proper business expertise
Partnering with suppliers	To obtain quality materials and products and to decrease inventory
Org: direct report to president/ CEO	Impact of effective performance on company profitability
Greater centralization; more non-traditional purchasing	To leverage purchasing power and expertise
Outsource non-value added purchasing functions	Improve supply management processes and have purchasing manage material/service alliances
By an large, the way we are organizing is the way we should be organizing	It is up to purchasing to set their own course if they are meeting the needs of the internal customers and we are
Buyers should become team leaders for commodity groups Continued outsourcing of non-critical functions and low-dollar purchasing. Role of the buyer should be to manage suppliers, rather than place orders. Requires a higher level of professional buyer.	
Purchasing and supply functions should have a more professional, technically oriented, strategically focused buyer universe. Org. should have fewer but more educated buyers and fewer clerical employees.	Better educated, more professional buyers should be performing strategic high-value functions, ie supplier selection, supplier relationships, market research, and fewer transactional activities such as purchase orders or expediting
Movement away from low dollar transactions	Little value added and high costs of performing such transactions must be eliminated
A degree of outsourcing should be required to reduce tactical purchasing share of purchasing process and shift purchasing competency to strategic purchases as much as possible	Improve purchasing resource allocation
Eliminate PO's and invoices	Internal transaction process that duplicate supplier systems are redundant and not as well designed as those maintained by good suppliers
Supply management should play a larger role in overall management of the company	Senior management realizes that supply management has a direct impact on the bottom line
Organized in terms of product teams in general, rather than a functional area with the exception of a small department	More agile/lean organization
Strongly believe that purchasing should be largely centralized and participate on business teams	More effective strategic procurement planning, more leverage and more effective buying
Move away from transaction/paperwork	No value added
Team concept—team with internal customers (departments)	More effective—spreads the resource need across more individuals

**Figure 1-7
Purchasing Organization Structure Changes That Should Occur (And Why?)
in General – Next 3-5 Years (continued)**

U.S. (continued)	
WHAT CHANGES?	WHY?
Need to add expert staff to make better empirical evaluations of purchasing/leasing and supply alternatives	Total cost of purchasing/leasing and supply decisions needs better analysis
Reduce transaction resources, increase contracting/supplier based management	Cost effectiveness, elimination of non-value added activities
Increased centralization with standard ground rules	Leverage of talent/expertise and visibility into supplier capabilities/issues
Teaming should continue to expand	Teams result in better decisions as corporate to individuals
Increased e-mail/Internet, PC fax, and applications w/ co. forms print to file, etc.; transfer via PC fax and EDI	
Increased focus on strategic activities	Add value to acquisition process
More alignment of purchasing w/the business unit. Less emphasis on manufacturing.	Business strategy should drive manufacturing and purchasing strategy
Purchasing should become involved in demand management and supply management	Will become generally more recognized that mgt and control of external spending will be critical element of business success
More team-based approach	
More migration toward global purchasing	
Purchasing should come to the front as being a leader in the business unit.	As company officials continue to outsource internal work, purchasing must buy more from suppliers, increasing our contribution to the bottom line
Less standing staffs, more team approaches across business units	More effective use of company's expertise
Focus on ways of managing long term relationships	People/suppliers can become complacent, no longer competitive—limited resources often means too much knowledge resides with one purchasing person
More self-managed teams and influence management vs. direct reporting relationships	
Centralization, process teams, and commodity teams	
Push routine buys out to "aggregator" in vendor base	Reduce system cost on routine buys
Need to become part of the larger "supply chain" focus vs. current functional focus	Can have larger impact on co. as a supply chain
You should see more centralization in areas that could improve savings and efficiency	Better demand management, cost control efforts
More electronic commerce, manage outsourced relationships	

2.0 Strategic Buyer-Supplier “Partnering” Alliances

2.1 To What Extent (Level) Is Your Purchasing Organization Currently Involved in the Following Thirteen Activities Associated with Strategic Buyer-Supplier “Partnering” Alliances? Additionally, What Is Your Desired Level of Involvement in These Activities?

Figure 2-1 summarizes the responses to these two questions for all seven countries combined. Figure 2-2 shows a simplified bar chart of the results. The various columns in Figure 2-1 (from left to right) may be interpreted as follows:

<u>Column</u>	<u>Interpretations</u>
Rank:	Rank order of “ current involvement ” of mean scores on a 1 – 7 scale, where 1 = “no current activity” and 7 = “extensive activity.”
Mean Score:	Mean or average rating on a 1 – 7 scale
No. of Responses:	Number of responses to the survey to each activity
Percent 5,6,7:	Percent of respondents who rated the level of activity at 5 or 6 or 7
Percent 7:	Percent of respondents who rated the level of activity at 7
Rank:	Rank order of “ desired involvement ” of mean scores on a 1 – 7 scale (Next 5 column headings have same definition as above, but relate to “desired involvement.”)
Gap Percent:	Indicates the percent difference between the “current involvement” and “desired involvement” mean scores. (Example for the first activity: $1 - (5.81/4.31 \times 100) = 34.9\%$.) The relative size of the “Gap %” indicates the spread or “gap” between the current and desired levels of activity.
Difference:	“*” indicates that the difference between the current and desired mean scores is statistically significant at $p < 0.05$. This means that the probability of a difference between the two means being this large by chance is less than 5%. Likewise, “**” has a similar meaning, with $p < 0.01$ (a less than 1% probability. Finally, “***” means a $p > 0.001$, or a probability of less than 1/1000.

Note to the reader: As you scan these results throughout the report, please note that in the vast majority of cases, the

*significance level of the differences between the mean scores for “current” and “desired” is very strong at the $p < 0.001$ as indicated by “***” in the rightmost column. This general result indicates that there are universally strong desires, on average, on the respondents’ part, to do more of the factors, activities, strategies, or items they have rated.*

In viewing Figures 2-1 and 2-2, first note that these results are a summary of all seven countries’ combined results. Also note that the number two ranked “current” mean score, and number one ranked “desired” mean score is “Document quality improvements resulting from the alliance”, and the “gap %” is also large at 41.7%. This indicates that, while there is a relatively high current level of this activity, there is a strong desire to substantially increase this documentation. In addition, at the bottom of the list is “share cost and margin data with alliance suppliers” which clearly indicates that this is one of the least current and desired activities associated with strategic buyer-supplier alliances. Other results can be interpreted accordingly, and, in addition, the relative rankings of “current” and “desired” results can provide **basic benchmarks** to compare with the reader’s own alliance initiatives as well as suggesting priorities for enhancing strategic buyer-supplier alliance activities.

2.2 For the Same Thirteen Activities in Figures 2-1 and 2-2 Above, What are the Individual Results for Each of the Seven Countries? Are There Significant Differences Among the Seven Countries’ Mean Rating Scores?

Figures 2-3 and 2-4 summarize these results. Figure 2-3 indicates the mean scores of each country’s **Current Involvement**, while Figure 2-4 reports their **Desired Involvement**. The column heading “All” indicates the mean score of all countries combined. The rightmost column indicates “**Significant Differences ($p < 0.05$)**” among the seven countries. For example, in Figure 2-3 the activity “**Team with alliance suppliers to improve cost, quality, service,**” is ranked 6th with an overall mean score of 3.94, and the **Significant Differences** column indicates “F<B,US; H<C,B,G,UK,US.” This means that France’s mean score on **Current Involvement** of 3.11 for this activity is **significantly less (at $p < 0.05$)** than the mean scores for Belgium (4.50) and the U.S. (5.04). In addition, Hungary’s mean score of 1.85 is significantly less than the scores for Canada, Belgium, Germany, U.K, and the U.S., but not for France. Moving to Figure 2-4, **Desired Involvement** for the same activity now is ranked 3rd with an overall mean score of 5.83. Here, France’s score is significantly less than all countries except Canada

**Figure 2-1
Strategic Buyer-Supplier “Partnering” Alliances
All Seven Countries**

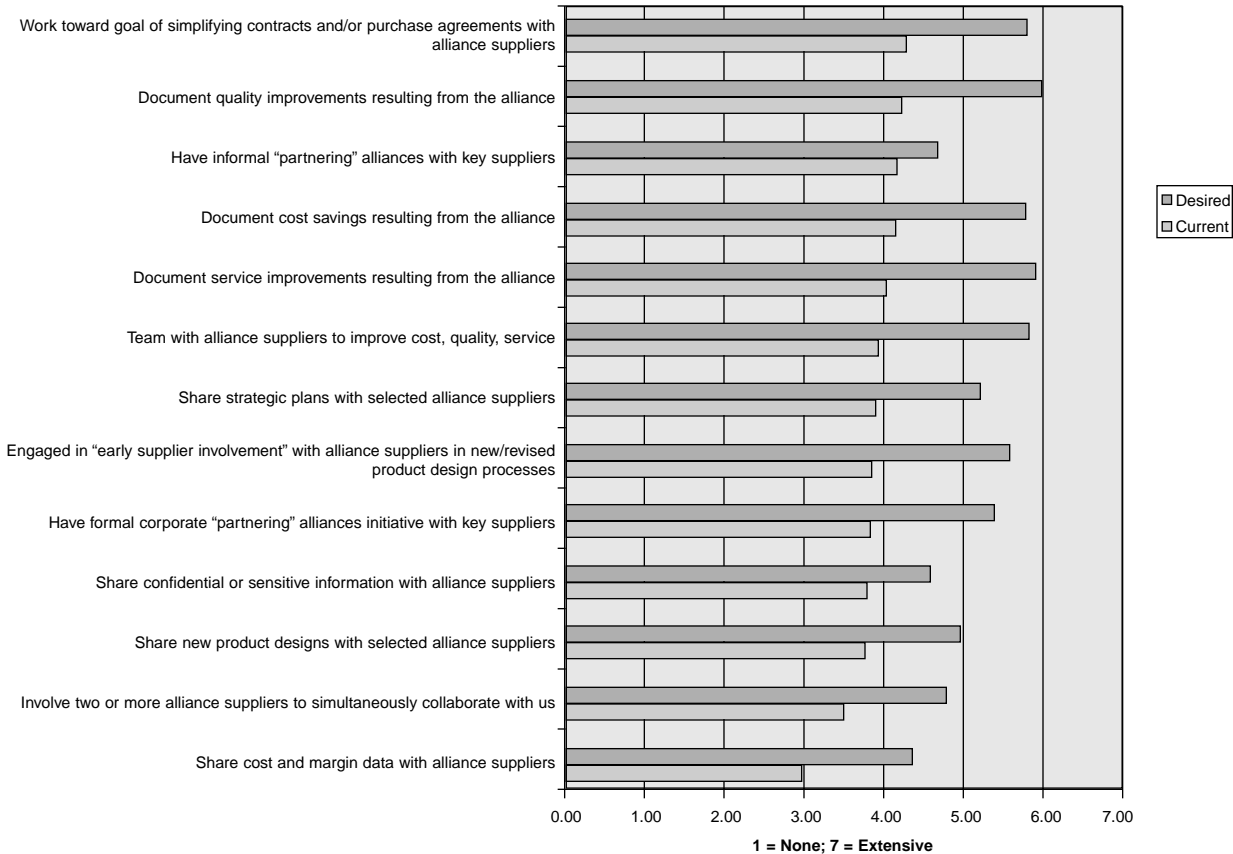
	Current Involvement					Desired Involvement						
		Mean	Number of	Percent	Percent		Mean	Number of	Percent	Percent	Gap	
	Rank	Score	Responses	5,6,7	7	Rank	Score	Responses	5,6,7	7	Percent	Difference
Work toward goal of simplifying contracts and/or purchase agreements with alliance suppliers	1	4.31	333	48.9%	9.6%	4	5.81	247	84.2%	39.3%	34.9%	***
Document quality improvements resulting from the alliance	2	4.23	337	46.9%	12.5%	1	5.99	272	87.1%	44.1%	41.7%	***
Have informal “partnering” alliances with key suppliers	3	4.18	322	46.3%	4.0%	11	4.68	255	60.0%	15.3%	12.0%	***
Document cost savings resulting from the alliance	4	4.13	336	45.2%	12.2%	5	5.78	269	84.0%	40.5%	39.8%	***
Document service improvements resulting from the alliance	5	4.05	333	41.1%	9.6%	2	5.92	264	87.9%	41.3%	46.2%	***
Team with alliance suppliers to improve cost, quality, service	6	3.94	335	46.3%	9.9%	3	5.83	270	83.3%	43.0%	48.0%	***
Share strategic plans with selected alliance suppliers	7	3.90	335	41.8%	5.7%	8	5.22	268	72.4%	23.9%	34.0%	***
Engaged in “early supplier involvement” with alliance suppliers in new/revised product design processes	8	3.84	326	38.0%	6.7%	6	5.60	241	79.3%	36.9%	45.7%	***
Have formal corporate “partnering” alliances initiative with key suppliers	9	3.84	338	38.8%	8.9%	7	5.39	270	78.1%	27.4%	40.2%	***
Share confidential or sensitive information with alliance suppliers	10	3.81	335	40.0%	4.5%	12	4.60	264	60.2%	14.0%	20.9%	***
Share new product designs with selected alliance suppliers	11	3.77	320	40.0%	8.8%	9	4.97	253	66.8%	24.9%	31.9%	***
Involve two or more alliance suppliers to simultaneously collaborate with us	12	3.49	333	31.2%	6.9%	10	4.80	240	62.1%	18.8%	37.4%	***
Share cost and margin data with alliance suppliers	13	2.97	333	21.3%	1.5%	13	4.35	262	52.3%	14.5%	46.5%	***

*p<0.05

**p<0.01

***p<0.001

Figure 2-2
Strategic Buyer-Supplier “Partnering” Alliances



and Hungary; likewise, Hungary’s score is significantly less than all other countries. Viewing Figures 2-3 and 2-4 indicates that, in general, several of Hungary’s and France’s scores are significantly less than the other five countries’ scores, while there are few differences (much similarity) among these five’s scores.

2.3 Approximately How Many Active Suppliers are in Your Supplier Base? Of These Active Suppliers, How Many Do You Consider to be “Strategic Buyer-Supplier Alliances?”

See Figure 2-5 for the mean responses to these two questions for each country and for all countries combined. Overall, about 1% of active suppliers were considered strategic buyer-supplier alliances. This replicates a similar result found in an earlier CAPS study on supplier alliances.

2.4 What Kinds of Commodities (Materials, Services, Capital Goods) Do You Purchase from Suppliers that are Considered “Strategic Buyer-Supplier Alliances?”

Figure 2-6 is a sampling of commodities, reported by the seven countries’ respondents, that are purchased through alliances.

2.5 What Is Your Company’s Current Involvement in the Factors Listed [in Figure 2-7] in Achieving Successful Strategic Buyer-Supplier “Partnering” Alliances? In Addition, What Is Your Company’s Perceived Importance of Each of These Listed Factors?

Figure 2-7 summarizes the combined responses for all seven countries. The column headings may be interpreted in the same way as those in Figure 2-1, shown earlier. Most important is “High degree of trust between partners,” followed closely by “Top purchasing management involvement.” Note also the general overall strength of the scores. However, the “Gap Percents” are not trivial, and all differences are strongly significant at the $p < 0.001$ level.

Figure 2-3
Strategic Buyer-Supplier “Partnering” Alliances

Current Involvement
(Comparison of Mean Scores for All Seven Countries, Sorted from Largest to Smallest Overall Mean Scores)

Activity	Rank	All	Belgium	Canada	France	Germany	Hungary	United Kingdom	United States	Significant Differences (p<0.05)
Work toward goal of simplifying contracts and/or purchase agreements with alliance suppliers	1	4.31	4.21	4.57	3.64	4.19	4.72	4.06	4.38	
Document quality improvements resulting from the alliance	2	4.23	4.00	4.11	4.08	4.31	4.42	3.39	4.68	
Have informal “partnering” alliances with key suppliers	3	4.18	4.26	4.25	4.04	4.41	3.44	3.97	4.51	
Document cost savings resulting from the alliance	4	4.13	3.79	4.04	3.42	3.83	4.25	3.60	4.86	
Document service improvements resulting from the alliance	5	4.05	3.96	3.98	4.13	3.64	4.32	3.53	4.46	
Team with alliance suppliers to improve cost, quality, service	6	3.94	4.50	4.40	3.11	3.47	1.85	4.10	5.04	F<B,US; H<C,B,G,UK,US
Share strategic plans with selected alliance suppliers	7	3.90	3.88	4.00	3.15	3.89	2.77	3.98	4.60	FH<US
Engaged in “early supplier involvement” with alliance suppliers in new/revised product design processes	8	3.84	4.48	3.71	3.46	3.92	2.70	4.32	4.14	H<B,UK,US
Have formal corporate “partnering” alliances initiative with key suppliers	9	3.84	3.70	3.95	3.29	3.07	4.00	3.46	4.55	G<US
Share confidential or sensitive information with alliance suppliers	10	3.81	4.00	3.70	3.70	4.39	2.17	3.67	4.38	H<B,C,F,G,UK,US
Share new product designs with selected alliance suppliers	11	3.77	4.48	3.65	3.20	3.67	3.13	3.64	4.24	
Involve two or more alliance suppliers to simultaneously collaborate with us	12	3.49	3.21	3.14	3.00	3.46	4.66	3.16	3.47	H>C,F,UK
Share cost and margin data with alliance suppliers	13	2.97	3.00	3.09	2.96	3.66	1.78	2.71	3.24	H<C,G,US

Figure 2-4
Strategic Buyer-Supplier “Partnering” Alliances

Desired Involvement
(Comparison of Mean Scores for All Seven Countries, Sorted from Largest to Smallest Overall Mean Scores)

Activity	Rank	All	Belgium	Canada	France	Germany	Hungary	United Kingdom	United States	Significant Differences (p<0.05)
Document quality improvements resulting from the alliance	1	5.99	5.82	5.58	5.06	6.05	6.04	6.02	6.33	F<US
Document service improvements resulting from the alliance	2	5.92	5.86	5.62	5.41	5.79	5.76	5.83	6.30	
Team with alliance suppliers to improve cost, quality, service	3	5.83	6.14	5.59	4.67	5.89	3.48	6.04	6.57	F<B,G,UK,US; H<C,B,FG,UK,US
Work toward goal of simplifying contracts and/or purchase agreements with alliance suppliers	4	5.81	5.25	5.60	5.19	5.92	5.76	5.56	6.19	
Document cost savings resulting from the alliance	5	5.78	5.55	5.51	4.59	5.35	5.79	6.09	6.21	F<US
Engaged in “early supplier involvement” with alliance suppliers in new/revised product design processes	6	5.60	6.13	5.07	4.44	5.89	4.00	5.86	6.10	F<B,US; H<B,G,UK,US
Have formal corporate “partnering” alliances initiative with key suppliers	7	5.39	4.82	5.36	4.94	4.65	5.34	5.22	6.03	
Share strategic plans with selected alliance suppliers	8	5.22	5.41	5.00	3.53	5.14	3.56	5.64	5.90	FH<B,C,G,UK,US
Share new product designs with selected alliance suppliers	9	4.97	5.62	4.26	4.23	4.83	4.04	5.07	5.52	
Involve two or more alliance suppliers to simultaneously collaborate with us	10	4.80	4.75	4.38	4.22	4.00	5.65	4.69	5.24	H>G
Have informal “partnering” alliances with key suppliers	11	4.68	5.25	4.75	2.70	4.88	4.00	4.79	4.95	F<B,C,G,H,UK,US
Share confidential or sensitive information with alliance suppliers	12	4.60	5.18	4.33	3.24	4.89	2.00	4.84	5.29	F<B,G,UK,US; H<B,C,G,UK,US
Share cost and margin data with alliance suppliers	13	4.35	4.86	4.22	3.69	5.00	1.88	4.63	4.65	H<B,C,FG,UK,US

Figure 2-5
Number of Active Suppliers and Strategic Buyer-Supplier Alliances

	BELGIUM	CANADA	FRANCE	GERMANY	HUNGARY	U. K.	U.S.	ALL COUNTRIES
Number of active suppliers	3257	1870	954	1835	187	2885	7538	3320
Number of "strategic alliances"	20	33	36	36	20	49	70	43
SAs as % of active suppliers	1%	2%	4%	2%	10%	2%	1%	1%

Figure 2-6
Typical Commodities Purchased from Strategic Alliance Suppliers, by Country

BELGIUM			
Aluminum	Coatings	Lab Supplies	Printing
Auto Transport	Computer Maintenance	Oil	Resin
Bottles	Copiers	Paper	Software
Bulk Bags	Engines	Polymers	Steel
Cable	Fiber	Polythycene	Travel
Cans	Foil	Powdered Metal	Workstations
CANADA			
Adhesives	Drums	Medical Surgery	Steel
Advertising	Electrical Supplies	Metal Cans	Telecom Equipment
Aircraft Parts	Elevator Maintenance	MIS Outsourcing	Tires
Belting	Explosives	MRO	Tractors
Boiler Chemicals	Foam	Paper Products	Transformers
Brake Parts	Forms	Peroxide	Transportation Services
Cabs	Fuel	Pharmaceuticals	Tubing
Cellular Phone Services	Gaskets	Photocopying	Vehicles
Chemicals	Granite	Printing	Water Treatment Chemicals
Chlorine	HVAC	Safety Supplies	Welding Products
Chlorate	Hydraulics	Salt	Wire
Computers	Installation Services	Security Services	
Custodial Services	Lubricants	Sodium Chlorate	
Drugs	Medical Supplies	Starch	
FRANCE			
Axle Pins	Hydrocortisone	Metal Hammering	Soldering Agents
Buttons	Injection Products	Packaging	Steel
Composites	Kidney Treatment	Pumps	Telecom Services
Computers	Magnetic Parts	Reprography	Therapeutic Support
Electrical Equipment	Maintenance	Seats	Tires
Filtration	Mechanical Excavator	Sheet Metal	Transportation Services
GERMANY			
Acetate	Connection Cable	Laser Distance Measuring	Pumps
Advertising	Construction Materials	Lathe Parts	Punched Parts
Air Brakes	Construction Services	Leather	PVC
Air Conditioners	Control Valves	Logistic Services	Seals
Aircraft Components	Displays	Machines	Sewing
Aluminum Parts	Disposal Services	Material for Stuffing	Software Engineering
Audio Systems	Electronics	Mechanical Parts	Stainless Steel Sheets
Axles	Ethylene/Propylene	Mill Hydraulics	Steel
Banknote Machines	Excavators	Mineral Salts	Structural Steel Engineering
Bearings	Facility Management	Office Materials	Synthetic Materials
Brass Bars	Filter	Phosphate	Testing of Components
Buildings	Flange	Pipework Systems	Toothing Parts
Carbon Dioxide	Foam Material	Plastic Raw Material	Travel Services
Cardboard	Gearing	Plastics Processing Machinery	Turbines
Castings	Hydraulic Controls	Polysulfide	Vehicles
Coils	Integrated Circuits	Production Parts	Wrought-Iron

Figure 2-6

Typical Commodities Purchased from Strategic Alliance Suppliers, by Country (continued)

<u>HUNGARY</u>			
Aluminum	Electronic Appliances	Nitrogen	Silicon
Bearings	Flax	Oil	Steel Plates
Cable	Furniture	Packaging Materials	Sugar
Castings	Gas	Paint	Textiles
Coal	Glass	Paper	Vehicles
Computers	Gypsum	Plastic Pipes	Zinc
Doors	Iron Ore	Printed Circuits	
Electricity	Lubricants	Printers	
<u>UNITED KINGDOM</u>			
Advertising	Dispatch	Metal	Prosthetics
Airline Travel	DI Pipe	Micromotors	Seats
Aluminum Sulfate	Disk Drives	Microprocessor Chips	Security
Boards	Door Catches	Nuts, Bolts, Washers	Service Excavating
Bottles	Electrical Items	Offshore Production Chemicals	Sheet Steel
Brown Goods	Electricity	On Board Service	Software
Cans	Electronic Components	Packaging	Software Engineering
Cardboard Packaging	Electroplating	Paper	Stationary
Cleaning Materials	Engines	Printed Circuit Boards	Switches
Components	Expanded Poly	Personal Computers	Telecoms
Concrete	Facility Management	Photocopiers	Travel
Consulting	Fasteners	Piling	Vehicle Disposal
Containers	Fluoro Polymers	Pipe	Vehicle Fuel
Control Equipment	Glass	Plastics	Water Treatment Chemicals
Cracking Catalyst	Inbound Logistics	Pneumatics	Wood Poles
Dental Equipment	IT Services	Precious Metals	
Design Service	Medical Items	Printing	
<u>UNITED STATES</u>			
Aircraft Components	Copiers	Integrated Circuits	Propylene
Alpha Olefins	Copper	Lab Supplies	PVC Film
Aluminum	Corregated Packaging	Lasers	Re-agent
Avionics	Dyes	Latex	Resin
Barges	Electric Motors	Locomotive Parts	Rocket Motors
Bearings	Electronic Fuel Systems	Lubricants	Railroad Ties
Bottlecrowns	Electronics	Machine Parts	Safety Supplies
Bottles	Engineering Services	Market Data Research	Scrap Metal
Brass	Ethylene	Maintenance Services	Silicon
Building Services	Explosives	Mill Supplies	Specialty Chemicals
Butanol	Fab Equipment	Motors	Steel
Cable	Fabric	Natural Gas	Steel Castings
Cabs	Fiber Cable	Network Hardware	Structural Steel
Caustic Soda	Field Erected Tanks	Oats	Telemarketing
CD Manufacturing	Folding Cartons	Packaging	Temporary Labor
Cellular Infrastructure	Forgings	Paper	Test Sets
Centrifugal Pumps	Gases	Paraxylene	Tires
Ceramics	Gelatin	Printed Circuit Boards	Trade Services
Chassis Components	Germanium	Pipe Fitting	Transformers
Chemicals	Haulage Trucks	Plastic Bottles	Travel Services
Coatings	Horizontal Stabilizers	Plate Steel	Trucking Services
Compressors	Hydraulics	Potassium Chloride	Visual Displays
Computers	Injection Molded Plastics	Precious Metal Alloys	Waste Disposal
Construction Services	Ink	Production Services	Water Treatment
Consumables	Instrumentation Hardware	Property Management	

Figure 2-7
Factors in Successful Strategic “Partnering” Alliances
All Seven Countries

	Current Involvement					Perceived Importance						
		Mean	Number of	Percent	Percent		Mean	Number of	Percent	Percent	Gap	
	Rank	Score	Responses	5,6,7	7	Rank	Score	Responses	5,6,7	7	Percent	Difference
High degree of trust between “partners”	4	4.91	278	56.8%	22.7%	1	6.42	335	96.4%	58.8%	30.9%	***
Top purchasing management involvement	1	5.76	280	80.4%	42.9%	2	6.42	335	95.2%	60.3%	11.5%	***
Periodic “market check” to see if supplier “partner” remains price, quality, service competitive	2	5.13	280	67.9%	20.7%	3	5.95	335	91.0%	34.9%	16.0%	***
Focus on developing long-term relationships	3	5.05	281	66.2%	18.9%	4	5.92	332	88.3%	35.8%	17.1%	***
Supplier understands how buyer uses their goods and services in their operations	6	4.80	279	58.4%	20.1%	5	5.89	333	87.7%	37.5%	22.6%	***
Periodic joint evaluation of the benefits, costs, strengths, and weaknesses of the alliances	10	4.39	275	48.0%	17.8%	6	5.88	328	86.9%	39.3%	34.1%	***
Buyer understands supplier’s processes for providing goods and services	5	4.81	277	57.4%	19.5%	7	5.79	333	85.9%	34.5%	20.4%	***
Top company management involvement	8	4.61	276	53.6%	18.5%	8	5.74	334	82.6%	39.2%	24.5%	***
Periodic “market check” to see if supplier “partner’s” technology remains competitive	7	4.68	274	58.4%	15.0%	9	5.73	331	86.7%	31.4%	22.6%	***
Equitable sharing of risks and rewards resulting from the relationship	9	4.43	274	47.4%	13.5%	10	5.69	334	84.1%	28.4%	28.4%	***
Use of multi-functional teams from both buyer and supplier to continuously improve performance	11	4.31	280	49.6%	14.6%	11	5.41	334	78.1%	27.5%	25.7%	***
Open sharing of confidential/sensitive supplier information/plans with buyer	12	3.92	273	38.1%	7.0%	12	5.01	334	71.3%	14.7%	27.6%	***
Open sharing of confidential/sensitive buyer information/plans with supplier	13	3.77	272	37.9%	5.5%	13	4.78	333	67.3%	7.0%	26.7%	***

*p<0.05

**p<0.01

***p<0.001

2.6 For the Same Thirteen Activities [in Figure 2-7 Above], What are the Individual Results for Each of the Seven Countries? Are There Significant Differences Among the Seven Countries' Mean Responses?

Figures 2-8, 2-9, and the bar chart in Figure 2-10 summarize these results. For example, in Figure 2-8 (**Current Level of Activity**) the success factor "**High degree of trust between partners,**" indicates that UK's score (3.86) is significantly less than Germany's (5.79). In addition, this factor is ranked 4th overall. However, Figure 2-9 (**Importance**) shows that this same factor is ranked number 1 overall, and that there are no significant differences among the seven countries' scores. On the other hand, where there are significant differences, Hungary's and France's scores are less than those of most of the other five countries.

2.7 What Do You Perceive To Be Your Company's Future Involvement in Your Development and Use of Strategic Buyer-Supplier "Partnering Alliances?"

Figure 2-11 summarizes the response percentages for each of four scenarios. In viewing these results, it seems that strategic buyer-supplier alliances will remain (and grow) as a major strategic tool for purchasing and supply. While there are some differences among countries, an insignificant proportion of the reporting companies are either not pursuing this strategy, or plan to reduce their use as a method of closer collaboration with key suppliers.

Summary and Conclusions

Clearly, strategic buyer-supplier "partnering" alliances are a major procurement tool used widely in both North America and Europe. (However, some minor exceptions to this conclusion are observed in France and Hungary.) Important factors that lead to successful alliances include "**High degree of trust between partners,**" and "**Top Purchasing Management Involvement.**" Surprisingly, at the opposite end of both current levels of activity and importance are "**Open sharing of confidential/sensitive information with buyer,**" and "**Open sharing of confidential/sensitive information with supplier.**"

Other conclusions can be drawn by the reader by scanning the data.

Figure 2-8
Factors in Successful Strategic “Partnering” Alliances

Current Level of Activity
(Comparison of Mean Scores for All Seven Countries, Sorted from Largest to Smallest Overall Mean Scores)

Activity	Rank	All	Belgium	Canada	France	Germany	Hungary	United Kingdom	United States	Significant Differences (p<0.05)
Top purchasing management involvement	1	5.76	6.09	5.55	5.70	5.94	5.82	5.14	5.92	
Periodic “market check” to see if supplier “partner” remains price, quality, service competitive	2	5.13	5.22	5.00	4.68	5.20	5.66	4.76	5.16	
Focus on developing long-term relationships	3	5.05	4.96	5.07	4.78	5.52	4.71	4.46	5.29	
High degree of trust between “partners”	4	4.91	4.77	4.84	5.09	5.79	4.62	3.86	5.00	UK<G
Buyer understands supplier’s processes for providing goods and services	5	4.81	4.70	5.16	4.15	5.04	4.32	4.22	5.20	
Supplier understands how buyer uses their goods and services in their operations	6	4.80	4.61	5.35	4.39	4.81	3.66	4.38	5.39	H<C,US
Periodic “market check” to see if supplier “partner’s” technology remains competitive	7	4.68	4.78	4.61	3.89	5.25	4.09	4.35	4.92	
Top company management involvement	8	4.61	4.64	4.77	3.57	5.07	4.74	4.00	4.77	
Equitable sharing of risks and rewards resulting from the relationship	9	4.43	4.35	4.40	4.20	4.96	3.85	3.89	4.72	
Periodic joint evaluation of the benefits, costs, strengths, and weaknesses of the alliances	10	4.39	3.90	4.38	3.90	4.84	3.42	3.83	5.02	
Use of multi-functional teams from both buyer and supplier to continuously improve performance	11	4.31	4.74	4.37	4.17	4.76	2.03	4.18	4.92	H<B,C,F,G,UK,US
Open sharing of confidential/sensitive supplier information/plans with buyer	12	3.92	4.26	3.81	3.55	4.40	2.75	3.54	4.32	H<B,G,US
Open sharing of confidential/sensitive buyer information/plans with supplier	13	3.77	4.14	3.90	3.45	4.05	2.18	3.65	4.23	H<B,C,G,US

Figure 2-9
Factors in Successful Strategic “Partnering” Alliances

Importance
(Comparison of Mean Scores for All Seven Countries, Sorted from Largest to Smallest Overall Mean Scores)

Activity	Rank	All	Belgium	Canada	France	Germany	Hungary	United Kingdom	United States	Significant Differences (p<0.05)
High degree of trust between “partners”	1	6.42	6.54	6.33	6.25	6.63	6.31	6.17	6.57	
Top purchasing management involvement	2	6.42	6.46	6.53	6.36	6.55	6.02	6.29	6.59	
Periodic “market check” to see if supplier “partner” remains price, quality, service competitive	3	5.95	5.96	5.88	5.76	5.96	6.40	5.72	5.89	
Focus on developing long-term relationships	4	5.92	5.67	6.14	5.72	5.86	5.79	5.64	6.18	
Supplier understands how buyer uses their goods and services in their operations	5	5.89	5.92	6.33	5.72	5.82	4.69	5.98	6.35	H<B,C,F,G,UK,US
Periodic joint evaluation of the benefits, costs, strengths, and weaknesses of the alliances	6	5.88	5.83	6.09	5.46	5.81	4.77	6.26	6.36	H<B,C,G,UK,US
Buyer understands supplier’s processes for providing goods and services	7	5.79	5.96	5.98	5.21	5.80	5.20	5.85	6.12	
Top company management involvement	8	5.74	5.92	5.93	4.93	5.67	5.29	5.83	6.09	F<US
Periodic “market check” to see if supplier “partner’s” technology remains competitive	9	5.73	5.67	5.84	5.39	5.92	4.94	5.98	5.99	H<G,UK,US
Equitable sharing of risks and rewards resulting from the relationship	10	5.69	5.38	5.84	5.54	5.74	4.94	5.90	6.02	H<UK,US
Use of multi-functional teams from both buyer and supplier to continuously improve performance	11	5.41	5.75	5.60	4.86	5.68	3.47	5.98	6.00	H<B,C,F,G,UK,US; F<UK,US
Open sharing of confidential/sensitive supplier information/plans with buyer	12	5.01	5.88	5.30	4.59	5.12	2.90	5.45	5.62	H<B,C,F,G,UK,US; F<B,US
Open sharing of confidential/sensitive buyer information/plans with supplier	13	4.78	5.50	5.28	4.14	4.82	2.39	5.40	5.49	H<B,C,F,G,UK,US; F<B,C,UK,US

Figure 2-10
Factors in Achieving Successful “Partnering” Alliances

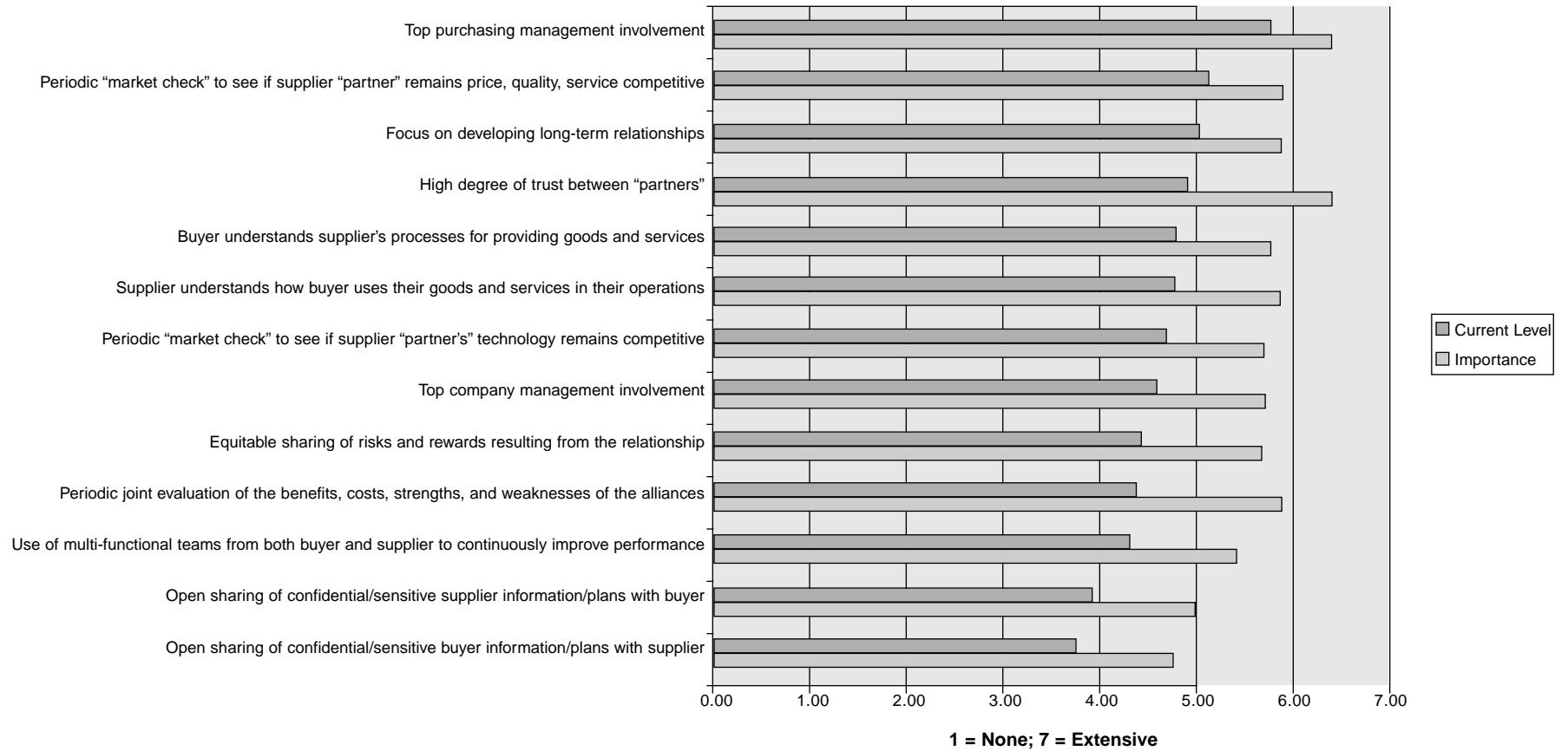


Figure 2-11
Future Involvement in Strategic Buyer-Supplier “Partnering” Alliances

	BELGIUM	CANADA	FRANCE	GERMANY	HUNGARY	U. K.	U.S.	ALL COUNTRIES
Partnering alliances will <i>continue to expand</i> over the next 3-5 years and continue to be a major strategic initiative for both our company and our key suppliers	71%	73%	58%	80%	62%	78%	80%	74%
The number of “partnering” alliances will <i>stay about the same</i> over the next 3-5 years, but will continue to be a major strategic initiative for our company and key suppliers	29%	17%	34%	20%	36%	13%	16%	22%
For our company, “partnering” alliances have delivered less than promised, and we are considering <i>reducing their use</i> as a strategic initiative	0%	8%	0%	0%	2%	9%	0%	2%
For our company, we have not, and most likely will <i>not pursue</i> the development of “partnering” alliances	0%	2%	8%	0%	0%	0%	4%	2%

3.0 Outsourcing Production and Services, including Purchasing and Supply Functions: Research Questions and Results

3.1 To What Extent (Level) Is Your Purchasing Organization Currently Involved in the Following Seventeen Activities Associated with the Outsourcing of Production and Services (Including Purchasing and Supply Management Functions) That Traditionally Have Been Performed Internally Within Your Company and/or Within Your Purchasing Organization? Additionally, What Is Your Desired Level of Involvement in These Activities?

Figure 3-1 summarizes the responses to these two questions for all seven countries combined, and Figure 3-2 displays the results in a bar chart. The various columns in Figure 3-1 may be interpreted as defined earlier for Figure 2-1.

In viewing Figure 3-1, the rank order of services, **Travel, Advertising, and Legal Services**, not surprisingly, are currently outsourced. One item, **Mail Services** ranks 10th on current involvement, but 6th on desired involvement. Low-ranking items seem to indicate both a current and desired reluctance to outsource purchasing activities to suppliers and 3rd parties, such as consortiums.

3.2 For the Same Thirteen Activities in Figures 3-1 and 3-2 Above, What Are the Individual Results for Each of the Seven Countries? Are There Significant Differences among the Seven Countries' Mean Rating Scores?

Figures 3-3 and 3-4 summarize the results to these two questions. Note that several scores for both Hungary and France are significantly less than those of some of the other countries. In addition, Belgium's score for outsourcing **Accounting Services** is significantly greater than the other six countries.

3.3 What are Some Examples of Things You Have Outsourced? What Estimated Annual Savings Resulted from These Outsourcings?

Figure 3-5 summarizes a sampling of outsourced production and services, and their estimated savings for seven countries combined. Scanning this list may give the reader some ideas for additional outsourcing opportunities and associated estimated annual savings.

3.4 Have Any Outsourced Items/Services Been "Insourced?" If So, Why?

Figure 3-6 summarizes the responses to this question for all countries combined. Surveying this list may provide the reader with some insight as to items that should be analyzed carefully before deciding to outsource them.

3.5 What Level of Outsourcing Activity Do You Expect Your Company to Engage In Over the Next 3-5 Years?

Figure 3-7 reports that two thirds of *all country* respondents expect either a **substantial or some increase in outsourcing** over the next 3 – 5 years, while virtually no decrease is predicted. Note, however, that Hungary is an exception with its percentage only a third of the all-country average.

3.6 If an Increase in Outsourcing Is Expected, What Commodities or Services Will Likely Be Outsourced?

Figure 3-8 summarizes the responses to this question. The reader may find this list useful in identifying and considering items for possible outsourcing.

Summary and Conclusions

Apparently, firms are continuing to outsource their production and service activities, with no end in sight. This suggests that firms continue to pursue a strategy of concentrating on their core competencies, and outsourcing non-core activities to other companies that perform these activities as their core competencies. Consequently, these increases in outsourcing require more of purchasing professionals in identifying and analyzing potential outsourcing opportunities, finding appropriate suppliers, and managing these relationships.

Figure 3-1
Outsourcing Production and Services, Including Purchasing and Supply Management Functions
All Seven Countries

	Current Involvement					Desired Involvement						
	Rank	Mean Score	Number of Responses	Percent 5,6,7	Percent 7	Rank	Mean Score	Number of Responses	Percent 5,6,7	Percent 7	Gap Percent	Difference
Travel services	1	4.48	326	57.7%	29.8%	1	5.30	248	74.6%	42.7%	18.4%	***
Advertising services	2	4.21	319	50.5%	16.0%	3	4.81	237	61.2%	22.4%	14.2%	***
Legal services	3	3.79	331	39.9%	14.8%	5	4.27	242	47.9%	18.2%	12.5%	***
Facilities maintenance	4	3.70	328	35.4%	11.3%	4	4.77	247	62.3%	25.1%	28.7%	***
Office supply services	5	3.65	332	39.8%	19.9%	2	4.88	242	60.7%	33.9%	33.7%	***
Information systems and computer-related services	6	3.31	330	30.6%	7.6%	7	4.15	243	46.9%	10.3%	25.6%	***
Items traditionally manufactured internally	7	3.25	320	25.3%	4.4%	9	3.86	217	41.0%	8.8%	18.8%	***
MRO supply services	8	3.01	315	24.4%	6.7%	8	4.06	225	46.2%	14.7%	35.0%	***
Human resource functions (e.g., temp labor, training, benefits management)	9	2.97	329	19.8%	1.2%	10	3.76	245	38.4%	4.9%	26.5%	***
Mail services	10	2.88	326	26.7%	12.0%	6	4.20	233	49.4%	27.0%	46.0%	***
Engineering	11	2.87	319	18.8%	2.8%	11	3.55	238	33.6%	6.7%	23.5%	***
Product design	12	2.41	311	14.1%	1.9%	12	2.99	233	26.2%	3.4%	24.4%	***
Purchasing services to internal clients/customers	13	2.12	276	10.5%	4.0%	14	2.73	193	21.8%	3.6%	28.6%	***
Accounting (e.g., accounts payable, accounts receivable, payroll)	14	1.84	326	5.8%	1.2%	13	2.79	240	19.2%	3.3%	51.9%	***
Purchasing services to external suppliers of goods and services	15	1.70	270	4.1%	0.4%	15	2.41	162	12.3%	1.2%	41.7%	***
Purchasing services to external third parties (e.g., buying consortiums)	16	1.51	287	3.5%	1.0%	16	2.14	176	8.0%	0.0%	41.7%	***
Purchasing services to a member-managed "group buying consortium" among two or more independent companies	17	1.41	286	2.8%	1.0%	17	2.12	168	8.9%	1.2%	50.4%	***

*p<0.05

**p<0.01

***p<0.001

Figure 3-2
Outsourcing Production and Services

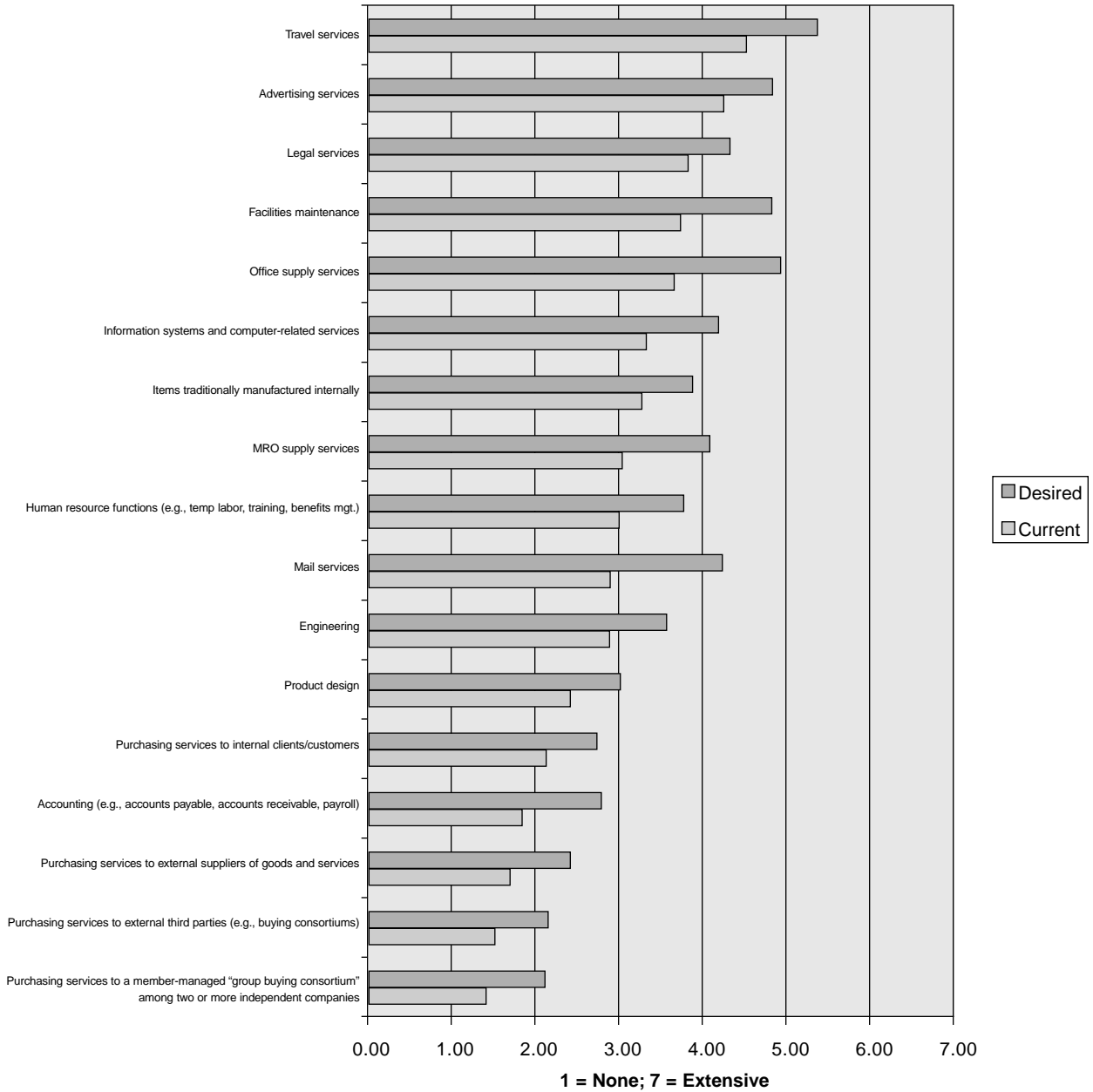


Figure 3-3
Outsourcing Production and Services, Including Purchasing and Supply Functions

Current Involvement
(Comparison of Mean Scores for All Seven Countries, Sorted from Largest to Smallest Overall Mean Scores)

Activity	Rank	All	Belgium	Canada	France	Germany	Hungary	United Kingdom	United States	Significant Differences (p<0.05)
Travel services	1	4.48	5.41	4.43	2.81	3.81	2.39	5.24	5.76	H<B,C,UK,US; F<B,UK,US; G<US
Advertising services	2	4.21	4.59	4.90	3.81	3.57	3.20	4.25	4.76	H<C
Legal services	3	3.79	4.32	4.30	2.68	4.21	3.88	3.10	3.88	
Facilities maintenance	4	3.70	4.18	3.67	4.14	2.73	2.98	4.02	4.19	
Office supply services	5	3.65	3.36	3.40	2.04	3.79	2.47	4.29	4.54	F<UK,US
Information systems and computer-related services	6	3.31	3.96	2.55	3.04	3.13	2.46	3.82	3.87	H<B
Items traditionally manufactured internally	7	3.25	3.32	3.21	3.07	3.56	2.28	4.29	3.07	H<UK
MRO supply services	8	3.01	3.63	2.98	1.68	3.20	2.35	2.81	3.62	F<B,US
Human resource functions (e.g., temp labor, training, benefits management)	9	2.97	3.73	2.11	2.42	2.67	2.88	3.06	3.52	C<B,US; F<B
Mail services	10	2.88	3.86	2.46	1.85	2.08	2.60	3.51	3.35	F<B
Engineering	11	2.87	3.41	3.07	3.04	2.59	2.04	2.98	3.14	H<B
Product design	12	2.41	2.65	2.74	2.52	2.42	2.13	2.35	2.34	
Purchasing services to internal clients/customers	13	2.12	3.25	2.26	1.13	2.83	1.28	1.98	2.13	F<B,G; H<B,G
Accounting (e.g., accounts payable, accounts receivable, payroll)	14	1.84	3.23	1.98	1.61	1.2	1.64	1.90	1.88	C,F,G,H,UK,US<B
Purchasing services to external suppliers of goods and services	15	1.70	2.19	1.45	1.32	2.19	1.61	1.69	1.72	
Purchasing services to external third parties (e.g., buying consortiums)	16	1.51	1.79	1.54	1.24	1.53	1.23	1.72	1.53	
Purchasing services to a member-managed "group buying consortium" among two or more independent companies	17	1.41	1.11	1.75	1.39	1.47	1.40	1.34	1.34	

Figure 3-4
Outsourcing Production and Services, Including Purchasing and Supply Functions

Desired Involvement
(Comparison of Mean Scores for All Seven Countries, Sorted from Largest to Smallest Overall Mean Scores)

Activity	Rank	All	Belgium	Canada	France	Germany	Hungary	United Kingdom	United States	Significant Differences (p<0.05)
Travel services	1	5.30	5.40	5.06	4.28	4.95	3.32	6.00	6.03	H<B,UK,US
Office supply services	2	4.88	4.30	4.66	3.12	5.79	2.48	5.39	5.54	H<B,C,G,UK,US; F<G,UK,US
Advertising services	3	4.81	5.16	5.06	4.50	4.27	3.75	5.47	4.88	
Facilities maintenance	4	4.77	5.00	4.83	4.71	4.54	3.43	5.33	4.88	H<UK
Legal services	5	4.27	4.79	5.00	3.20	4.55	4.29	3.86	4.06	
Mail services	6	4.20	5.05	3.97	3.29	3.78	2.78	4.85	4.55	
Information systems and computer-related services	7	4.15	4.74	3.61	3.73	3.76	2.90	4.68	4.61	H<B,UK
MRO supply services	8	4.06	4.24	4.34	1.80	4.54	2.26	3.76	4.76	F<B,C,G,UK,US; H<B,C,G,US
Items traditionally manufactured internally	9	3.86	3.74	4.06	4.12	4.32	2.67	4.72	3.27	H<UK
Human resource functions (e.g., temp labor, training, benefits management)	10	3.76	4.35	3.22	3.29	3.38	3.00	4.16	4.11	
Engineering	11	3.55	4.00	3.70	3.69	3.11	2.20	4.24	3.60	H<B,UK
Product design	12	2.99	3.11	3.50	2.87	3.06	1.85	3.44	2.83	
Accounting (e.g., accounts payable, accounts receivable, payroll)	13	2.79	3.89	2.82	2.56	2.06	1.29	3.58	2.88	H<B,UK,US; G<B
Purchasing services to internal clients/customers	14	2.73	4.06	2.60	1.54	2.58	1.23	3.03	2.84	F,H<B
Purchasing services to external suppliers of goods and services	15	2.41	3.25	1.61	2.00	3.05	2.00	2.65	2.49	
Purchasing services to external third parties (e.g., buying consortiums)	16	2.14	2.22	1.84	1.70	2.26	1.45	2.16	2.48	
Purchasing services to a member-managed "group buying consortium" among two or more independent companies	17	2.12	1.57	2.21	1.67	1.74	1.58	2.59	2.29	

Figure 3-5
Outsourced Items and Annual Savings
All Countries

Item	Savings
Abel Pump Consignment	0%
Accounts Payable	20%
Activities Related to Environment	1%
Advertising	10%
Advertising Materials	0%
Assembly	20%
Brake Shear	5%
Building Cleaning	30%
Building Management	10%
Cable Assembly	6%
Cable Forming	15%
Cables	20%
Cafeteria	20%
Calibration	3%
Car Maintenance	20%
Car Maintenance	15%
Cars	5%
Cassette Manufacturing	20%
Catering	20%
Catering	15%
Catering	10%
Caterpillar Part and Stock Consignments	10%
Check Writing	15%
Chemical Consumables	20%
Chemicals	15%
Cleaning	20%
Cleaning	15%
Cleaning	10%
Cleaning	25%
Cleaning	12%
Cleaning the Building	10%
Cleaning Services	20%
Company Car Fleet	20%
Component Rebuilds	15%
Computer Programming/Support	0%
Computer Support	0%

Item	Savings
Computing	20%
Construction Services	10%
Contract Machining	12%
Contract Packaging	5%
Control Systems	15%
Copier Program Management	35%
Copy Services/Facility Management	10%
Cores	15%
Cutting	1%
Cutting Raw Material to Size	15%
Cutting Tools	2%
Data Processing	20%
Decals and Graphics	7%
Dedicated Trucking	-15%
Delivery	20%
Desk-top Purchasing/Tech Support	8%
Development of the Computer System	30%
Drumming Services	10%
EDI Services	10%
Electronic Assemblies	15%
Electronic Component Turnkey	0%
Electroplating	15%
Employee Benefits	15%
Engineered Parts	30%
Engineering	50%
Engineering	20%
Engineering	0%
Engineering Consumables	30%
Engineering Design	0%
Engineering Services	10%
Engineering Services	0%
Engraving	7%
Environmental Study	0%
Equipment Design and Maintenance	0%
Equipment Move	15%
External On-Site Quality Control	40%

Item	Savings
Fabricated Parts	20%
Fabrications	20%
Facilities (partial)	20%
Facilities Maintenance	40%
Facilities Maintenance	20%
Facilities Maintenance	10%
Facilities Maintenance	10%
Facilities Maintenance	10%
Facilities Maintenance	10%
Facilities Management	10%
Facility Management	15%
Facility/Energy	7%
Factory Supplies	2%
Field Maintenance	20%
First Operation Machining	10%
Fleet Management	12%
Fleet Management and Maintenance	15%
Food	15%
Foreign Contracts	95%
Forestry	20%
Forms Management	23%
Forms Warehousing	48%
Freight Bill Payment	25%
Freight Claims	10%
Fuel Services	35%
Fulfillment	20%
Galvanization	20%
Graphic Services	45%
Ground Handling	50%
Grounds Maintenance	10%
Handling	15%
Hardware	10%
Harness Manufacturing	30%
Highway Lane Painting	15%
Housekeeping	35%
Housekeeping	15%
HR Services	0%

**Figure 3-5
Outsourced Items and Annual Savings (continued)
All Countries**

Item	Savings
Human Resources	0%
Hydrogen Cylinders	10%
Import/Export Brokerage	3%
Inbound Logistics Services	4%
Inbound Transportation	12%
Information Services	5%
Information Systems Maintenance	15%
Information Technology	15%
Information Technology Services	25%
Information Technology Services	15%
Installation	-20%
Insurance	15%
Integrated Supply for MRO	5%
Intermediate Materials	10%
Inventory Control	20%
Inventory Management and Replenishment	35%
Invoicing	20%
Invoicing	12%
IT	10%
Janitorial Services	15%
Lab Supplies	20%
Lab Supplies	17%
Laboratory	3%
Labor for Recycle Facilities	4%
Labor for Waste Pickups	3%
Landscape	15%
Laundry	10%
Legal	5%
Legal Services	50%
Legal Services	10%
Line Construction	30%
Logoed Plastic Bags	15%
Low Value Purchases	-30%
Machine Modules	10%
Machine Shop	25%

Item	Savings
Machining	50%
Machining/Turning/Drilling	15%
Mail	20%
Mail	10%
Mail Room	10%
Mail Room	2%
Mail Services	30%
Mail Room Copy Services	0%
Mail Services	10%
Mail, Copy Center	10%
Mailing	5%
Mailroom	15%
Maintenance	30%
Maintenance	30%
Maintenance	20%
Maintenance	10%
Maintenance	8%
Maintenance and Handling	15%
Maintenance of Company Cars	10%
Maintenance of Internal Phone Network	20%
Maintenance of PCs	25%
Management of Food Services	20%
Management of MIS Function	30%
Managing Non-domestic Sales	5%
Manned Guarding	15%
Manufacture of Silicon	0%
Manufacturing of Packaging Materials	30%
Manufacturing of Piping System	12%
Manufacturing of Products	15%
Manufacturing of Rotor Head	12%
Meals	30%
Metal Construction	10%
Mfg. Components	6%
Microfilming Company Records	25%
Motor Fuel	8%

Item	Savings
MRO	25%
MRO	20%
MRO	10%
MRO – Not Complete	6%
MRO – Vendor Stocking	10%
Natural Gas	14%
Natural Gas	8%
Neckchains	5%
Network Support	10%
Node Management	7%
Non-engine Castings	30%
Office Materials	5%
Office Supplies	25%
Office Supplies	20%
Office Supplies	15%
Office Supplies	15%
Office Supplies	10%
Office Supplies	8%
Office Supplies Delivery	10%
Optics	20%
Outplacement Service	18%
Outplacement	20%
Outsourcing of Clerical Staff	25%
Packaging	5%
Packaging Finished Goods	15%
Packaging of Export	3%
Parks Maintenance	2%
Payroll	20%
Payroll Accounting	-5%
Payroll Services	10%
PC Board Stuffing	10%
PC Desktop Support	0%
PCB Assembly	3%
PCs Upgrade and Maintenance	2%
Personnel	10%

Figure 3-5
Outsourced Items and Annual Savings (continued)
All Countries

Item	Savings	Item	Savings	Item	Savings
Personnel Services	10%	Security	20%	Translation	20%
Polishing	20%	Security	15%	Transport	30%
Pre-employment Screening	22%	Security	10%	Transport	30%
Presswork	10%	Security	10%	Transportation	18%
Preventive Maintenance	0%	Security	10%	Transportation	15%
Print Shop	52%	Security	-12%	Transportation	15%
Printing	10%	Security	-30%	Transportation	15%
Product Design/Ideas	25%	Security Services	10%	Transportation	10%
Production of Spare Parts	10%	Signs	5%	Transportation	5%
Programming	50%	Small Casting Machining	25%	Transportation	5%
Promotion	50%	Social Secretary	10%	Transportation	-7%
Promotional Product and Shipping	15%	Spare Parts	25%	Transportation Services	30%
Property Management	10%	Special Handling	-20%	Travel	20%
Property Management	10%	Standard Printing Services	35%	Travel	20%
Purchase of Fasteners	4%	Standards Purchasing	7%	Travel	17%
Qualification of Products	15%	Stationery Supplies	10%	Travel	10%
Range of Protective Clothing and Workwear	5%	Steel	8%	Travel	10%
Records Management	40%	Storage	30%	Travel	10%
Refuse Collection	1%	Storage	25%	Travel	10%
Reprographics	10%	Stores	20%	Travel	5%
Reprographics Services	5%	Stores	20%	Travel Booking	40%
Reprography	35%	Strategic Sub-contract of Manufacture	40%	Travel Services	15%
Roll Formed Clodding	10%	Structural Steel Fabrication	15%	Travel Services	15%
Satellite Communications	10%	Supplies	15%	Travel Services	10%
SC Systems Application Development	-15%	Tax and Water Billing Operations	10%	Travel Services	9%
School Leasing	10%	Tax Management / Accounting	20%	Trucking	0%
Scientific Applications	-30%	Telecommunication Services	15%	Warehouse (Shipping) Management	25%
Screw Cutting	-5%	Temporary Labor	20%	Warehousing	25%
Screw Factory	10%	Temporary Services	20%	Warehousing	20%
Secondary Distribution	19%	Temporary Services	10%	Warehousing/Packaging	10%
Security	40%	Therapeutic Support Activities	20%	Waste Disposal	9%
Security	35%	Tire Mounting	20%	Welding	5%
Security	30%	Tool Crib	15%	Wire Harness	15%
Security	20%	Toolmakers	15%	Woodfelling and Cutting	20%
Security	20%	Tools	40%		
Security	20%	Training	15%		

**Figure 3-6
Outsourced Items That Have Been Insourced**

Items Insourced	Why?
Accounting	Flexibility
Advertising Banners	Control
Brakes	Complexity of components could be reduced to 25%
Building Cleaning	In-house more competitive
Building Engineering Services Maintenance	In-house team can now cope with workload
CAD Design	Supplier didn't change/stay current with our needs
Consumables	Subsidiary company set up
Control Surface Parts	Free capacities
Cut Steel	Delivery, quality, cost
Cutting	Changes in capacity
Development and Maintenance Management System	Under review due to inefficiency of service
Die Casting	Available capacity in house
Dispatch	Human resources policy
Finished Goods	Excess internal capacity
First Operation Machining	Eliminate excess cost
Freight	Too complicated to manage
Grounds Maintenance	In-house more competitive
Heavy Hardware	Cost of transporting to outsource
Hourly Workers	Hiring-control inside
Human Resource Management	HR considered strategic asset
Human Resources Person	There is need for better safety training, monitoring and guidelines
Identification Cards	Lower cost and greater flexibility
Import Services	Poor service
Machining	Control price
Maintenance	Too much staff
Maintenance	Personnel brought back into the firm
Maintenance	Not reliable
Maintenance	To reduce costs
Maintenance of Premises	Lower costs
Managing Import	Too slow
Manufacturing of Aerosol	Acquisition of a production line
Metal Construction	Subcontractors disappeared
Metal Pressings	Unsatisfactory supplier performance
Office Maintenance	More flexibility

**Figure 3-6
Outsourced Items That Have Been Insourced (continued)**

Items Insourced	Why?
Office Supplies	Poor service
Parts Cleaning	Poor service
Payroll	Mistakes, cost
Phone Programming	Lower in-house cost
Production of a Plastic Spare Part	More effective
Programming	Quality and delivery
Proposed PC Purchasing	More cost effective
Purchasing	Importance
Scrap Buy	Lack of confidence in suppliers
Security	Surplus labor
Server Products	Wanted to get into server products business
Sign Repair	Control
Small Parts	Union negotiated lower prices
Some Sub-contract Workers	Because of increased internal capacity and economics
Statement Production	Could not get adequate service externally
Steel Buying for Fabricators	Cost and quality
Stock Rails, Guard Rails	Surplus capacity on equipment
Stone Setting	Avoid excess handling—shorten lead times
Supplier Quality	Change in dept leadership
System Integration	Supplier out of business
System Maintenance	Cost advantage, systems growth
Tools	High costs
Transportation	High costs
Transportation	Lack of service provider
Transportation	Cost more, non-productive
Travel	Dissatisfaction w/cost and quality

**Figure 3-7
Expected Changes in Outsourcing Activity: Next 3-5 years**

CHANGE IN OUTSOURCING	BELGIUM	CANADA	FRANCE	GERMANY	HUNGARY	U. K.	U.S.	ALL COUNTRIES
Substantial increase (% yes)	21%	17%	9%	20%	13%	25%	12%	17%
Some increase	63%	52%	50%	42%	16%	51%	67%	49%
No change	16%	31%	36%	36%	66%	24%	20%	32%
Some decrease	0%	0%	0%	2%	5%	0%	1%	1%
Substantial decrease	0%	0%	5%	0%	0%	0%	0%	1%

Figure 3-8
Sample of Commodities to be Outsourced in the Future

Accounting Services	Engineering	Maintenance Supplies	Production Services
Accounts Payable	Facility Management	Management of Car Fleet	Professional Services
All Central Services	Finance	Manufacturing	Programming
Asset Management	Gas	Mechanical Assembly	Promotional Items
Asset Recovery	Guard Services	Metals	Purchasing Services
Business Services	Haulage	Meter Reading	Rebuilds
Buying	Head Office Functions	Motors	Screening
Car Maintenance	Human Resources	Moving Sub-assemblies to Suppliers	Sheetmetal Work
Castings	Information Systems	MRO	Shipping
Catering	Inspection Services	New Accounts	Software Design
Chemicals	Internationalization Policy	New Products	Software Development
Cleaning	Inventory Control	Non-core Items	Steel
Commercial Painting	IT Agency Staff	Non-value Added Activities	Subassemblies
Computer Services	Labor Services	Office Materials	Supplies
Conference Planning	Labor – Mechanics	Office Supply Services	Systems Development
Construction of Containers	Legal	Packaging Activities	Technical Services
Copy Centers	Line Construction	Payroll	Telecommunications Infrastructure
Crib Tools	Logistics	Personal Computers and Software	Temporary Labor
Customer Service Areas	Low Value Commodities	Personnel Services	Tools and Test Sets
Customs	Machine Parts	Plating	Train Maintenance
DI Water Management	Machined Items	Presswork	Training
Education	Machining	Printing	Transport
Electrical Assemblies	Mailroom	Prisons	Travel
Electronics Products	Maintenance	Procurement	Warehousing

4.0 Purchasing and Supply's Strategic Planning Process and Its Integration into Overall Corporate Strategic Plans

4.1 To What Extent (Level) Is Your Purchasing Organization Currently Involved in the Following Eighteen Activities Associated with the Purchasing and Supply Management Strategic Planning Process; and Its Integration into Overall Company Strategic Plans/Planning Process? Additionally, What Is Your Desired Level of Involvement in These Activities?

Figure 4-1 summarizes the responses to these two questions for all seven countries combined. Figure 4-2 presents a summary bar chart of the results. The various columns in Figure 4-1 may be interpreted as described earlier in Figure 2-1.

In viewing Figures 4-1 and 4-2, it is interesting to note that there are several "desired involvement" items that are ranked significantly higher than "current involvement" items. Notable are "current items" ranked 4th, 7th, 10th, and 11th. Also observe that the item ranked 15th (*Purchasing professionals focus primarily on strategic activities; operational transaction-oriented duties are delegated to internal clients/suppliers*) has the highest "Gap Percent" of 47.9%, suggesting that this organizational structure strategy is worthy of serious consideration, based on the judgement of the several hundred respondents. Finally, the "desired involvement" rankings can provide the reader with a suggested priority for initiatives to enhance the strategic planning process.

4.2 For the Same Activities [in Figure 4-1 and 4-2 Above], What are the Individual Results for Each of the Seven Countries? Are There Significant Differences Among the Seven Countries' Mean Response Scores?

Figures 4-3 and 4-4 present the "current" and "desired" results for each country. Note the relatively strong agreement among six of the seven countries, with the exception of Hungary.

4.3 What Are Some of Your Major Strategic Goals, Objectives, Initiatives (GOIs) Contained in Your Most Recent Purchasing and Supply Management Strategic Plan?

Figure 4-5 summarizes these responses (verbatim) by country. Note that some are quite specific, while most simply target specific areas, but are general in nature. Readers should use this list of goals, objectives, and

initiatives as benchmarks for their own goals, objectives, and initiatives.

4.4 What Roles/Responsibilities Does Purchasing and Supply Currently Play in Your Company's Strategic Planning Process?

Figure 4-6 provides an interesting array of responses to this question...some very positive, some not so positive, and some very negative.

4.5 As a Follow Up to Question 4.4, What Roles/Responsibilities Should Purchasing and Supply Play in Your Company's Strategic Planning Process?

Figure 4-7 presents the verbatim responses to this question. The reader should scan these comments to gain an overall perception of the respondents' opinions regarding their "should be" role/responsibility in their company-wide strategic planning process.

4.6 As a Further Follow Up to Questions 4.4 and 4.5, If There Is a Significant "Gap" Between the Current and Should Play Roles/Responsibilities for Strategic Planning, Why Does This Gap Exist in Your Company?

Figure 4-8 provides some interesting insights as to why significant gaps exist. It seems there are still some significant problems, which seem to be present, to some degree, in all seven countries.

Summary and Conclusions Regarding Strategic Planning

The data shows that a healthy proportion of the respondents are involved, to some degree, in comprehensive strategic planning. However, considerable work is necessary to elevate the purchasing and supply function to the level where it can provide value-added contributions to overall corporate competitiveness. The reader should carefully study the information provided above as a checklist to aid in determining their strategy for meaningful involvement in the strategic planning process.

Figure 4-1
Purchasing and Supply's Planning Process and Its Integration into Overall Corporate Strategic Plans
All Seven Countries

	Current Involvement					Desired Involvement						
	Rank	Mean Score	Number of Responses	Percent 5,6,7	Percent 7	Rank	Mean Score	Number of Responses	Percent 5,6,7	Percent 7	Gap Percent	Difference
Purchasing has specific goals for cost savings	1	5.41	332	74.1%	32.5%	2	6.09	246	90.2%	46.3%	12.6%	***
Purchasing's strategic plan is influenced by corporate's plan	2	5.04	334	72.5%	15.6%	10	5.67	220	86.4%	25.0%	12.4%	***
Purchasing has specific goals for supplier on-time delivery	3	4.81	326	64.1%	18.1%	7	5.86	245	86.5%	39.6%	21.7%	***
Purchasing has specific goals for professionalization of staff	4	4.79	327	62.4%	16.5%	1	6.13	246	93.1%	43.1%	27.9%	***
Purchasing has specific goals for quality improvement	5	4.73	327	61.5%	17.4%	6	5.88	238	89.5%	37.4%	24.3%	***
Purchasing has specific goals for supply base rationalization	6	4.61	329	55.6%	14.9%	13	5.48	245	77.6%	29.8%	18.8%	***
Purchasing contributes to major outsourcing/buy/make decisions	7	4.53	332	57.5%	11.7%	4	5.91	253	88.1%	37.9%	30.4%	***
Purchasing has specific goals for strategic supplier alliance development	8	4.49	323	56.7%	12.1%	11	5.61	246	84.1%	27.6%	24.8%	***
Purchasing sets its own strategic goals and objectives	9	4.48	332	59.0%	9.3%	17	4.93	217	69.1%	16.6%	9.8%	**
Purchasing integrates its strategic plan/process into corporate's strategic plan/planning process	10	4.42	334	53.3%	12.9%	5	5.88	224	88.8%	32.6%	33.1%	***
Purchasing trains/educates purchasing professionals to think/act strategically	11	4.40	333	53.8%	7.2%	3	5.99	254	92.5%	36.6%	36.0%	***

Figure 4-1
Purchasing and Supply's Planning Process and Its Integration into Overall Corporate Strategic Plans (continued)
All Seven Countries

	Current Involvement					Desired Involvement						
	Rank	Mean Score	Number of Responses	Percent 5,6,7	Percent 7	Rank	Mean Score	Number of Responses	Percent 5,6,7	Percent 7	Percent Gap	Difference
Purchasing has a formal process for developing strategic plans	12	4.23	336	51.2%	10.7%	12	5.56	223	81.2%	28.7%	31.5%	***
Purchasing has specific goals for supplier lead time	13	4.11	322	47.5%	9.6%	15	5.43	245	77.6%	27.3%	32.0%	***
Purchasing recruits individuals who have a strategic orientation	14	4.05	331	43.8%	7.6%	9	5.68	255	82.4%	32.9%	40.5%	***
Purchasing professionals focus primarily on strategic activities; operational transaction-oriented duties are delegated to internal clients/suppliers	15	3.86	327	37.9%	5.2%	8	5.71	251	83.7%	34.7%	47.9%	***
Purchasing and corporate jointly set purchasing's goals/objectives	16	3.83	332	39.5%	8.7%	14	5.48	222	77.0%	30.2%	42.9%	***
Corporate sets purchasing's goals/objectives	17	3.56	332	30.4%	7.5%	18	3.70	218	33.9%	6.0%	3.9%	
Purchasing' strategic plan influences the structure of corporate's strategic plan	18	3.38	335	27.8%	4.2%	16	5.08	222	69.8%	17.6%	50.1%	***

*p<0.05

**p<0.01

***p<0.001

Figure 4-2
Purchasing and Supply's Planning Process and Its Integration
into Overall Corporate Strategic Plans

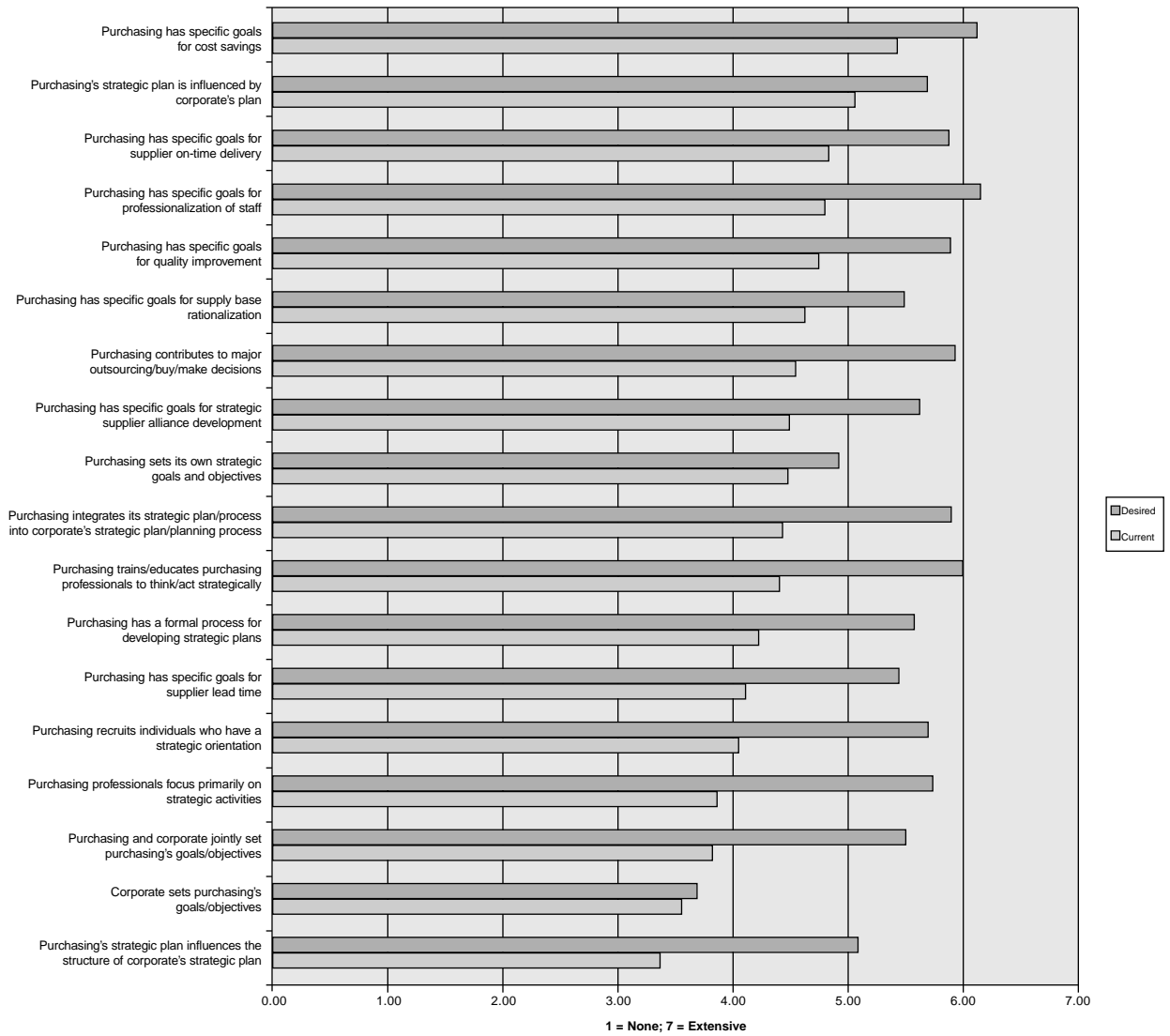


Figure 4-3
Purchasing and Supply's Strategic Planning Process and Its Integration into Overall Corporate Strategic Plans

Current Involvement
(Comparison of Mean Scores for All Seven Countries, Sorted from Largest to Smallest Overall Mean Scores)

Activity	Rank	All	Belgium	Canada	France	Germany	Hungary	United Kingdom	United States	Significant Differences (p<0.05)
Purchasing has specific goals for cost savings	1	5.41	5.35	4.98	5.72	5.73	4.71	5.38	5.71	
Purchasing's strategic plan is influenced by corporate's plan	2	5.04	4.57	5.27	5.14	4.52	5.17	4.72	5.41	
Purchasing has specific goals for supplier on-time delivery	3	4.81	4.65	4.95	4.54	4.86	5.41	4.24	4.86	
Purchasing has specific goals for professionalization of staff	4	4.79	4.48	5.23	5.29	4.78	3.78	4.82	5.00	H<C,F
Purchasing has specific goals for quality improvement	5	4.73	4.22	4.47	5.03	5.22	4.47	4.38	4.96	
Purchasing has specific goals for supply base rationalization	6	4.61	4.52	4.59	4.34	5.02	4.25	4.78	4.61	
Purchasing contributes to major outsourcing/buy/ make decisions	7	4.53	4.17	4.70	4.83	4.60	3.58	4.43	4.97	H<US
Purchasing has specific goals for strategic supplier alliance development	8	4.49	4.48	4.67	4.14	4.71	4.45	3.81	4.78	
Purchasing sets its own strategic goals and objectives	9	4.48	4.04	5.27	4.68	5.00	2.51	4.69	4.78	H<B,C,F,G,UK,US
Purchasing integrates its strategic plan/process into corporate's strategic plan/planning process	10	4.42	4.04	4.43	4.64	3.92	4.59	4.16	4.75	
Purchasing trains/educates purchasing professionals to think/act strategically	11	4.40	3.65	5.11	3.69	4.02	4.04	4.50	4.80	B<C
Purchasing has a formal process for developing strategic plans	12	4.23	3.57	4.34	3.89	4.00	3.45	4.48	4.84	
Purchasing has specific goals for supplier lead time	13	4.11	4.09	4.00	4.41	4.20	4.84	3.48	4.00	
Purchasing recruits individuals who have a strategic orientation	14	4.05	3.26	4.18	3.42	4.21	3.77	4.08	4.40	
Purchasing professionals focus primarily on strategic activities; operational transaction-oriented duties are delegated to internal clients/suppliers	15	3.86	3.52	4.30	3.79	4.00	2.63	3.96	4.26	H<C,G,US
Purchasing and corporate jointly set purchasing's goals/objectives	16	3.83	3.65	3.81	4.72	3.52	4.64	3.14	3.74	UK<H,F
Corporate sets purchasing's goals/objectives	17	3.56	4.13	3.18	4.00	3.02	4.85	3.37	3.20	C,G,UK,US<H
Purchasing' strategic plan influences the structure of corporate's strategic plan	18	3.38	2.91	3.11	3.07	3.18	4.24	2.73	3.71	UK<H

Figure 4-4
Purchasing and Supply's Strategic Planning Process and Its Integration into Overall Corporate Strategic Plans

Desired Involvement
(Comparison of Mean Scores for All Seven Countries, Sorted from Largest to Smallest Overall Mean Scores)

Activity	Rank	All	Belgium	Canada	France	Germany	Hungary	United Kingdom	United States	Significant Differences (p<0.05)
Purchasing has specific goals for professionalization of staff	1	6.13	5.86	6.32	6.06	6.00	4.70	6.16	6.34	H<B,C,F,G,UK,US
Purchasing has specific goals for cost savings	2	6.09	6.05	6.00	6.00	6.30	5.40	5.94	6.19	
Purchasing trains/educates purchasing professionals to think/act strategically	3	5.99	5.38	6.03	5.63	5.92	4.17	6.28	6.34	H<B,C,F,G,UK,US; B<US
Purchasing contributes to major outsourcing/buy/make decisions	4	5.91	5.52	5.97	5.63	5.93	4.25	6.32	6.08	H<B,C,F,G,UK,US
Purchasing integrates its strategic plan/process into corporate's strategic plan/planning process	5	5.88	5.61	5.97	5.86	5.68	5.31	6.18	5.99	
Purchasing has specific goals for quality improvement	6	5.88	5.52	5.74	5.72	6.05	5.70	5.91	5.99	
Purchasing has specific goals for supplier on-time delivery	7	5.86	5.95	6.15	5.44	5.90	5.80	5.43	5.97	
Purchasing professionals focus primarily on strategic activities; operational transaction-oriented duties are delegated to internal clients/suppliers	8	5.71	5.48	5.57	5.95	6.00	3.00	6.08	5.83	H<B,C,F,G,UK,US
Purchasing recruits individuals who have a strategic orientation	9	5.68	4.90	5.91	5.47	5.78	4.31	5.97	5.85	H<C,G,UK,US
Purchasing's strategic plan is influenced by corporate's plan	10	5.67	5.00	5.83	5.85	5.18	5.73	5.83	5.93	
Purchasing has specific goals for strategic supplier alliance development	11	5.61	5.62	5.55	5.32	5.90	4.70	5.29	5.80	
Purchasing has a formal process for developing strategic plans	12	5.56	5.21	6.03	5.29	4.67	3.62	6.21	6.01	H<B,C,F,UK,US; G<C,UK,US
Purchasing has specific goals for supply base rationalization	13	5.48	5.57	5.56	5.06	5.85	4.90	5.54	5.40	
Purchasing and corporate jointly set purchasing's goals/objectives	14	5.48	5.28	5.83	5.79	5.10	5.60	5.63	5.43	
Purchasing has specific goals for supplier lead time of corporate's strategic plan	15	5.43	5.57	5.71	5.74	5.62	5.40	4.89	5.37	
Purchasing's strategic plan influences the structure	16	5.08	4.61	5.76	5.00	4.83	4.17	5.83	5.09	
Purchasing sets its own strategic goals and objectives	17	4.93	4.89	5.78	5.31	4.95	2.64	4.73	5.00	H<B,C,F,G,UK,US
Corporate sets purchasing's goals/objectives	18	3.70	3.78	3.59	4.14	3.13	5.50	3.98	3.54	C,G,US<H

Figure 4-5
Major Goals, Objectives, Initiatives in Purchasing's Strategic Plans

Belgium		
100% JIT	Ensure production processes	Project management by teamwork
Automate ordering	Flexibility	Purchasing effectiveness program
Benchmarking	Get buy-in from mgmt	Quality
Better integration purchasing/customer/supplier	Improve delivery timing and accuracy	Quality/price, global prices
Centralize purchases	Improve quality	Raising the knowledge concerning products
Changes in procedures	Increase involvement of purchasing	Reduce # of suppliers
Co-design	Increase leveraging/reduce cost	Reduce administration (cost savings)
Control workload by supplier reduction	Increase prices of raw materials for inflation	Reduce number of suppliers
Cost control	Internal partnership with engineering	Reducing administration
Cost control by inventory management	Key material index (cost of purchased material)	Reduction of lead-time by 5 days
Cost reduction	Make or buy analyses	Reduction of transactional purchases by 10%
Cost reduction of products / services purchased	Make/buy decisions	Service
Cost reduction vs. 1993	Management of incoming goods	Speed (automation)
Cost saving training	Manpower reduction	Strategic sourcing
Cost savings	Meet needs of small business units	Study and define strategy
Decrease inventory of one product group by 40%	Negotiate contracts based on KANBAN	Supplier performance
Develop alternative suppliers for 2 product groups	New savings of at least 2%	Time to market shorter of developed products
Development of long-term relations with suppliers	Optimize systems	To find alternative suppliers for top 80% of materials
Disaster recovery plan	Product development in cooperation with suppliers	To realize cost savings on 3 product groups
Canada		
\$__ saving on OEM parts secure supply and price protection	Implementation of purchasing system using SAP	Rationalize the levels of the supply chain to ensure
3 year forecast for projects (Tenders/Quotes/Proposals)	Implementation of Work Protection Code No 6	Reduce cost of material related to major projects
80% of goods and services covered by agreements	Implementation of corporate card system	Reduce costs
Automated purchasing	Improve purchasing & training	Reduce costs - \$35 million by end of 1999
Average component lead time not to exceed 40 work days	Improve purchasing procedures	Reduce inventories by 15% by end of 1999
Become customer driven	Improve purchasing's professionalism and profile	Reduce inventory 50% by JIT purchasing
Capital expenses - Commission properties (repair and additions)	Improving mine site inventory turnover	Reduce inventory value

**Figure 4-5
Major Goals, Objectives, Initiatives in Purchasing's Strategic Plans (continued)**

Centralize purchasing	Improve quality	Reduce no. of purchase orders issued
Communicate goals, objectives, and initiatives to 150 locations	Increase company profitability and add value for our share holders through emphasis on cost reductions	Reduce overdue shipments by expediting of orders and establishing relationship with approved suppliers
Complete a pilot study and integrate city wide purchasing card program	Increase corporate direction	Reduce raw material costs
Compressors (\$5m)	Increase flexibility of supply	Reduce supplier base
Conduct customer education	Increase inventory turns to 14	Reduce the supplier base by 25% in the next 12 months
Consolidation of suppliers	Increase level of staff education	Reduce value of inventory held on site
Cultivate buyer/supplier relationships to preserve a high level of product quality and improve the level of service support	Increase number of national contracts	Reduce volume of low \$ transactions by implementing procurement card
Customer service level of 95%	Increase supply chain management agreement	Reduction of inventories & surplus inventory
Deal with key services and materials not under any form of agreement	Increased cross - mill leverage, joint purchases, shared inventory, best practices	Reduction of raw material cost - 5% overall
Decrease administrative costs associated with purchasing	Increased supplier leverage, technical support, inventory management	Reliability increase
Develop 3 systems contracts	Increased value from staff: training, systems support, broader involvement	Replace 100 suppliers by one MRO integrated supplier
Develop partnerships / alliances	Integrate business systems through procurement process redesign	Research, synthesize and institute additional long term strategic contracts
Downsize department	Joint purchasing with master competitor	Review, revamp, modernize and incorporate latest legal proceedings and contracting methods, standard bidding instructions, general and supplementary conditions for construction, and large capital supply contracts.
Educate end users on purchasing 's role in the corporation	Longer term contracts	Set contract standards (customized) to standardize agreements
Educate executive community regarding purchasing's conditions	Lower raw material costs	Socioeconomic goals and specific objectives
Efficiency, accuracy and reliability (staff)	Maximize quality	Staff training
Expand use of procurement card	Maximum interaction of staff	Standardization of battery design worldwide
Extend major agreements (at least 1/3 of the 100) to 5 years	Merge classifications of buyer and inventory control to buyer/analyst	Standardize bar code systems
Final rollout of procurement cards	Merge purchasing function of all divisions in Canada	Successful completion of CPP cause
Fuel use and alternate fuels	More joint/consortium purchases	Supplier alliances

Figure 4-5
Major Goals, Objectives, Initiatives in Purchasing's Strategic Plans (continued)

Get 100% performance (meeting all our requirements) from vendors	More pull systems	Supplier development
Have all MRO items with one integrated supplier	MRO inventory optimization	Supplier on-time delivery
Have vendors manage inventory and replacement	Outsource internal print shop	Supplier outreach project
Higher penetration of purchasing into CH community	Outsource warehousing and inventory management	Technical equipment expansion
Implement full EDI to reduce transactions	Personnel development and training program	To drive toward market prices
Implement inventory control system	Pipeline contractors (\$8m) Line pipe (\$6m)	To improve due diligence
Implement ISO 9000 in supply management by 2000	Preferred supplier program	To improve inventory cycle times
Implement MRPII system with preventive maintenance tie in	Price increases not to exceed 50% of related supplier producer's price index	To obtain more rationalization of non-stock purchases
Implement supply management system in stores	Purchasing policies and procedures	To reduce total landed costs (incl. transport, customs, packaging, product costs)
Implementation of a purchasing committee	Quality improvements	To refocus the P&SM organization & deliverables to meet customer constraints & expectations
Implementation of on-battery tester	Rationalize costs by reviewing procurement methods and revising corporate policy	Transfer production from Europe to US
France		
30% of cost reduction over 2 years	Making sure that the purchasing rules are fully respected	To find new suppliers anywhere in the world
50% of production items are guaranteed quality	Professionalizing the purchasing function	To globalize some purchasing activities with the aim of gaining 10% (including newly acquired activities)
80% of production inputs have a delivery time less than 10 days	Proposing a project concerning a new organization for the purchasing function	To improve buyers' professional skills
A framework agreement on estimated needs and price/cost reductions	Quality guarantees	To improve our profit
A partnership agreement	Reducing costs by at least 2%/1996	To improve the promotional impact of our products
A reduction in the order-delivery time	Reducing the number of suppliers	To intervene in all the functions within the enterprise
A single supply source for the main raw materials	Reducing purchasing costs	To introduce contract standards
Adopting a formal approach in conformity with ISO 9002 quality systems	Reducing purchasing costs by 30%	To involve suppliers in the purchasing activity
Consolidate the sites	Reducing purchasing prices	To keep internal customers well informed about current actions

**Figure 4-5
Major Goals, Objectives, Initiatives in Purchasing's Strategic Plans (continued)**

Cost reduction	Reducing costs	To master the whole purchasing activities and increase its added value
Cost reduction	Reducing costs	To professionalize the function and eliminate administrative tasks
Counseling development and value analysis	Shorten the cycles	To rationalize our products
Delivery reliability	Suppliers' pre-selection	To reduce costs
Delivery time aspects	The development of marketing and negotiations in purchasing	To reduce costs
Developing partnerships with the suppliers (quality/supply)	The implementation of the company's projects	To reduce the number of suppliers
Guaranteeing a 98% rate of spare parts availability	The quality of services is 99% guaranteed	To reduce purchasing costs
Guaranteeing the company's medium and long term supplies for the company	The reduction of costs	To reduce total cost by 10%
Having 90% of good/very good suppliers (in terms of delivery time, prices, quality...)	The reduction of costs	To reorganize the flow of materials
Harmonizing other suppliers	The reduction of costs	To work on a network basis with buyers
Improving productivity (creating a research department in relation with the suppliers)	The reduction of the number of suppliers	Training
Improving the company's relations with its suppliers	To decentralize purchasing orders	Working in collaboration with other functions within the enterprise
Improving the productivity within the company	To diversify the help given to buyers	
Installing the necessary procedures	To find new products (satisfactory price-wise and quality-wise)	
Germany		
3% reduction of basic prices	Improvement of performance in project management, e.g., simultaneous engineering	Reduction of costs
3-5% price reduction per annum	Improvement of quality	Reduction of number of suppliers
Availability > 80%	Increase general contracts	Reduction of number of suppliers
Availability for commodities >90%	Increase service levels	Reduction of number of suppliers
Availability of suitable capacities	Increase share of import goods	Reduction of product variations / number of suppliers
Avoid sole sourcing situations	Integration of know-how with suppliers	Reduction of purchase prices by 5%
Build up a "lean" supply management without many transactions	Inter-cooperative general procurement agreements	Reduction of routine tasks within procurement

Figure 4-5
Major Goals, Objectives, Initiatives in Purchasing's Strategic Plans (continued)

Bundle up the demands	International procurement marketing	Reduction of scope of suppliers
Bundling of demands (also divisional)	Internationalization	Reduction of suppliers
Certification of suppliers (quality management)	Internationalization of sourcing	Reduction of suppliers
Certifying of suppliers	Just in time delivery (kanban)	Reduction of suppliers
Co-manufacturing	Kaizen (especially in quality aspects)	Reduction of the number of suppliers
Concentration of demands for strategic materials with	Keep up quality standards	Reduction of the number of suppliers
Concentrate on key suppliers two suppliers	Local content coverage	Reduction of the number of suppliers by means of active suppliers
Continuation of cost reduction program	Long-term contracts including quality assurance and product specifications	Reduction of the purchasing price
Cooperation in quality assurance	Materials group management	Reduction of the supplied services
Co-packing	More intensive relationships through partnerships with suppliers	Reduction of the time of delivery
Cost management	Open up new supply markets in Asia	Reductions of numbers of suppliers
Cost reduction in materials sector by 15%	Optimization of the number of suppliers	Regional purchasing contingents
Cost reduction (-5% per annum)	Outsourcing to Eastern Europe	Reinforce common product engineering
Cost reduction measures	Partnerships	Reinforcing purchasing from foreign countries
Cost reductions	Percentage of cost reduction in purchasing must be better than percentage of market price reduction	Reliability of supply
Cost savings 3% per annum	Preparation of ISO9001	Standardization of contracts
Costs	Preventive vendor monitoring	Stock management
Decentralization	Price reduction (-5% per annum)	Supplier alliances
Decentralization of supply logistics	Purchasing co-operations	Supplier auditing
Decrease number of suppliers	Purchasing of a-parts by means of contracts	Supplier integration into R&D activities
Development of suppliers in terms of quality, costs and services	Quality	Supplier ratio
Empower purchasing organization	Quality improvement	Supplier relationship improvements
Establish "strategic modules"	Quality insurance	Suppliers management
Establish "strategic suppliers"	Reduce costs of handling c-parts	Supporting of JIT suppliers
Expand purchasing mandate	Reduce missing parts	Systems sourcing
Further globalization	Reduce number of parts	There are no strategic plans
General contracts with suppliers of c-parts	Reduce number of suppliers	Travel services
Global sourcing	Reduce numbers of suppliers	Utilization of global resources

**Figure 4-5
Major Goals, Objectives, Initiatives in Purchasing's Strategic Plans (continued)**

Global sourcing	Reduce sole sourcing situations	Vendor switch in case of quality problems
Global sourcing	Reduction of costs	Working out of portfolio analysis and supplier assessment
Globalization of the suppliers	Reduction of costs	World-wide bundling of demands
Improvement of materials logistics	Reduction of costs	
United Kingdom		
75% of staff professionally qualified by 1996	Improve on-time delivery to 98%	Reduce supplier base
A/A+ rated suppliers	Improve supplier base management	Reduce supplier base by 5% p.a.
Analysis of invoices to receive accurate bills	Improve management information	Reduce supplier ppm rates
Apply supply chain principles to service sector	Increase % of company spend through purchasing	Reduce suppliers used
Attack other costs of organization	Increase no. of strategic alliances	Reduction and improvement of relations with suppliers
Benchmark against similar organizations	Integrate new computer software	Reduction of no. of suppliers
Benchmark purchasing unit	Integrate purchase and pay process into one organization	Reduction of supplier base
Build strong internal and external relationships	Introduce/negotiate alliances with major strategic suppliers	Review all internal operations - make or buy
Build the purchasing network	Introduction of "P" cards for low cost products to reduce transaction costs	Review and update procurement manual regularly
Common supplier initiative - boost margins by managing top 20 suppliers across entire company. Previously used lead negotiators and found that they tended to focus their efforts on doing a good deal for their particular business unit.	Involve suppliers in business process	Review sourcing of key materials/components through global sourcing initiatives
Complexity reduction	Involving the public and clinical communities in consultation about prioritization, quality, and effectiveness	Save \$1.65 M in 1/9/96 to 31/8/97
Consistency in low quartile cost range for key purchased items	Lead time reduction	Save \$30M in FY97
Consolidate and leverage spend	Maintain current low level of stock price inflation	Strategic alliances / management of key suppliers and processes
Continued implementation of strategic procurement strategies	Maximize strategic sourcing	Strategic planning
Cost reduction	Measurement of the purchasing units and the group	Streamline supply process
Cost reduction; 6% per annum in 5 years	Meet regularly with customer departments	Supplier base reduction
Cost reductions	Minimize exposure to commercial risk	Supplier reduction by 80% in 5 years

**Figure 4-5
Major Goals, Objectives, Initiatives in Purchasing's Strategic Plans (continued)**

Cost savings 5% of annual expenditure	More departmental inter-action "the team"	Supply base rationalization to create preferred supplier and economies of scale
Costs down in line with management and customer wishes	Move away from auctions to tendering for cost savings	To allocate all available resources to achieve maximum health gain by targeting those in greatest need
Customer (internal) focus	Ongoing analysis of external environment	To be integral part of strategy planning process
Delivery of defined revenue and capital savings targets	Optimized cost bids	To be recognized as providing value added and responsible service to agreed standards
Develop fit-for-purpose relationships with big suppliers	Outsourcing of services	To deploy resources effectively maximizing benefit from consortium buying
Develop operational purchasing for business units where benefits can be achieved	Overall cost reduction of x%	To implement SAP by 1997
Develop price tracking models for budget managers	Partnership sourcing that delivers benefits	To introduce new IT
Develop sourcing strategy	Place in-plant buying personnel at major customer locations	To introduce performance measurement
Develop staff training/experience/knowledge	PO request / payment process	To invest in the development of highly skilled professionals who take pride in their work and are universally respected
Develop strategic significance of purchasing	Process standardization	To maintain the highest standards of integrity in all business activities
Develop/maintain purchasing decision schedule	Professionalization of staff	To optimize supplier base
Do supplier and market research	Provide up-date manual	To provide health services that are clinically and cost effective
Elimination of low/non value-adding activities within the purchasing process	Purchasing function to be best in industry	To reduce aircraft costs by 20% by 1998
Establish computerized consulting data base	Purchasing information synthesis	To reduce dependence on NHS suppliers
Extend functionality to encompass both materials purchasing and contracts for services	Purchasing technical reviews	To reduce non-value adding tasks by influencing the supply chain
Global sourcing of components	Purchasing to have total responsibility for all negotiations and contract and commitment of funds	To reduce spares arrears by 20% by 1997
Graduate level intake of personnel	Quality improvement	To work with internal customers (the business) to form joint objectives
Implementation of ESPRIT (SAP R3)	Raise professional standards in the department	Train staff to full professional standards
Improve "added value" purchasing	Raise profile of procurement inside the company	Training targets
Improve customer satisfaction	Rationalize capital program suppliers to < 5	Understand supplier base

**Figure 4-5
Major Goals, Objectives, Initiatives in Purchasing's Strategic Plans (continued)**

Improve customer satisfaction by concentrating on suppliers with proven track record; need to reduce no. of preferred suppliers	Recruit high caliber staff to replace personnel released because they lack the skills needed in a strategic environment	Widen skills of purchasers
Improve efficiency of procurement processes	Reduce procurement costs by 10%	World competitive supply bids
Improve on tender budget allowances	Reduce staff numbers	Worldwide supply chain excellence
United States		
\$100 million cost saving by 1999	Drive costs out of business and improve quality	Raw material cost reduction
\$X million dollar inventory reduction	Due diligence capability	Raw material cost reduction
0 supply constraints	Electricity	Realize economies of scale from nationwide contracts
10% annual increase in client satisfaction	Electronic transmission and receipt of information	Reduce chemical total cost in '97 to below '96 levels
10% cost savings in price reduction/optimizations	Eliminate 80% of transactions	Reduce cost for newly merged companies; exploit synergies/leverage combined spend
100% customer satisfaction	Employee functional development	Reduce cost of contract service X%
20% reduction, year over year, in # of suppliers	Energy cost reduction	Reduce cost of goods sold 1.5% over the last year
30% inventory reduction-current year	Enhance supplier partnering teams with multi-disciplined participation	Reduce cost of material
40% inventory reduction in 3 years	Enhanced supplier evaluation process	Reduce cost of products 2% in terms of real cost
5% annual material cost reduction	Ensure purchasing fully supports the back-to-basics efforts	Reduce cost of project materials by X%
5% reduction in total inventory costs	Ensure quality, effective service and value in every transaction	Reduce cost of raw materials by X%
50% decrease in active suppliers	Ensure savings goals/objectives	Reduce costs of sales for products by 7.4%
50PPM max external (suppliers related) defect	Ensure supplier capability to achieve new model introductions	Reduce cycle time from supply base by 50%
Achieve 2% savings on purchases through competition	Establish foreign supplier base to supply industrial participation requirements	Reduce in-house inventory by 10%
Achieve an on time rating greater than 96% and a quality rating greater than 99%for all inventoried materials	Evaluate additional cost-savings opportunities	Reduce inventory obsolescence by 50%
Achieve annual unit cost reduction	Evaluate supplier quality through supplier report cards	Reduce inventory to 3 weeks usage
Achieve higher level understanding of futures market to develop trigger points to optimize natural gas purchases	Expand existing supplier certification program	Reduce inventory-0 inventory
Achieve net material reduction of 1% in 1997	Expand influence globally	Reduce lead-times by 33%
Achieve new model cost targets for key models	Expand purchasing controls for all expenditures	Reduce material cost
Achieve seamless flow of materials/services through supply chain	Expand purchasing's role internationally	Reduce materials acquisition costs 10%; 7% new stock

Figure 4-5
Major Goals, Objectives, Initiatives in Purchasing's Strategic Plans (continued)

Aggressive business leveraging with other affiliates	Formal plan to upgrade purchasing professionals	Reduce non-value added purchasing activity & develop blanket or contract activity w/supplier
Alignment of purchasing goals to corporate goals	Free up professionals to work on continuous improvement	Reduce number of suppliers
Annualized savings \$11 million	Further decentralize purchasing	Reduce procurement process
Asset management improvement/supply chain focus	Global consolidation on major commodities where possible	Reduce product cost
Assure materials requested are received when needed (JIT)	Global procurement	Reduce purchase cost \$100M in 36 months
Business realization process using cross-functional teams	Global sourcing to support our globalization	Reduce purchase cost by 1%
By 1/1/97, achieve a 10% reduction in the MRO supplier base	Globalize and institutionalize the strategic procurement process	Reduce raw materials inventory by 4 days, cost of sales by 1998
Capacity requirements calculation and negotiation with strategic suppliers	Greater degree of globalization w/ supply base	Reduce supplier base
Capital acquisition re-engineering	Greater degree of interaction of procurement organization worldwide	Reduce supplier base 15%
Capital equipment cost reduction (negotiated)	Hire additional key staff with strategic focus	Reduce supplies inventory value by 25% by 1998
Casing, tubing and line pipe	Implement common (i.e. corporate-wide) integrated information system	Reduce tactical purchases handled to 20% of annual transactions
Centralize purchases for increased leverage	Implement corporate-wide purchasing services organization	Reduce the quantity of equipment out of service awaiting parts
Client service	Implement new materials/maintenance system	Reduce total cost of chemical/MRO products/services
Close working relationship with business teams	Implement p-card program	Reduce/consolidate supplier base
Co-location (to internal customer site) of buyers	Implementation of supplier management. Identify, promote and measure best practices.	Reduced lead time and inventory
Commodity strategies for top six commodities	Implements EDI system for all key suppliers	Reduced total operating costs
Consignment	Improve customer service levels/automate day-to-day purchasing wherever possible	Reduce unit cost
Consolidate 26 travel agents to 6	Improve delivery performance	Reduction of # suppliers by 60%
Consolidate expense/services purchasing regionally	Improve networking among global offices to increase awareness and application of best practices	Reduction of supplier base
Consolidate purchasing function into single organization	Improve profitability/cost reduction/savings	Re-engineer supplier assessment process
Consolidated information from all sites	Improve procurement tools	Restrict price increases to 70% of PPI
Continue & improve supplier evaluation through a cross-function team effort	Improve quality of incoming material	Risk management in regional sourcing 2nd-source
Continue semi-annual interviews with key customers	Improve supplier performance	Select globally competitive sources/develop strategic alliances
Continue to expand integrated supply process application (MRO)	Improve supplier quality	Sign formal alliance on motors

**Figure 4-5
Major Goals, Objectives, Initiatives in Purchasing's Strategic Plans (continued)**

Continue to improve training and development processes in order to drive functional excellence and optimize procurement employees' contribution and job satisfaction	Improve supplier terms (60 plus days)	Skills upgrades
Continue to upgrade purchasing skills	Improve supply chain process	Spend 80% with 100 suppliers
Continue active participation in efforts to optimize worldwide logistics costs	Improve client support	Strategic Supplier Partnerships
Continue fuel supply to our vessels in a dwindling market	Increase % spend with strategic/recommended suppliers	Standardization of MRO items; increase training and improve skills
Continue participation on business teams	Increase automated contract purchasing eliminating one-times	Standardization of our needs
Contribution to return on net assets (RONA)	Increase dock-to-stock to 98% for incoming material	Standardize supplier interfaces
Convenience store construction	Increase purchasing card use to 25,000 in 2 years	State of the art processes: enhance and standardize systems
Cost	Increase supplier alliances	Strategic parts placement
Cost containment in a sellers' market	Increase EDI	Supplier consolidation
Cost reduction	Increase customer satisfaction to 4 on 1-5 scale	Supplier development
Cost reduction	Integrate procurement strategies with business unit plans	Supplier development to improve quality control
Cost reductions-25%	Integrate selected suppliers in product development process	Supplier investment in development via strategic agreements
Cost savings	Integrated supply	Supplier management training 40-hrs
Cost savings of \$13 million	Integrating procurement into geographic & functional groups	Supplier performance
Create 2 strategic alliances	Inventory reduction	Supplier quality rating standardization
Create cross-functional procurement teams	Investigate advantages/disadvantages of "bar coding"	Supplier rationalization - 50% reduction
Customer procurement plan	Less purchasing spend per unit of output	Supplier reduction in chemicals
Customer quality survey-improve ratings to 88%	Leveraging our buying power	Supplier relationships that maximize the value of the supply base
Customer satisfaction	Lower cost of strategic raw materials	Supplier synchronization = application of IT to reduce cycle time and waste
Customer satisfaction - internal and external	Lower life cycle cost of mobile equipment	Supply base consolidation/rationalization for new acquisition (subsidiaries)
Customer-focused performance driven	Lower price of strategic raw materials	Supply chain integration (virtual chains)
Cycle time (design to market)	Lower price or compact disc mfg. by 6%	Supply chain integration includes suppliers
Cycle time reduction program to reduce time-to-market	Manage supplier alliances for improved costs and operations	Supply chain strategies-cover 75% of strategic products

Figure 4-5
Major Goals, Objectives, Initiatives in Purchasing's Strategic Plans (continued)

Deliver \$190 million in annual savings on spend of \$2.25 billion	Manage 95% of spend	Technological advancements
Delivery	Manage, implement and promote strategic sourcing project	Technology convergence w/suppliers / moving more toward industry standard
Deploy our quality process through implementation of supplier management	Manage, implement electronic ordering system re-write	To be the lowest overall cost provider
Develop a certification program for MRO suppliers	Maximize leverage opportunities	To develop and implement a global MIS for purchasing and logistics
Develop a diverse, highly skilled, empowered and motivated workforce	Move suppliers toward 6 sigma and 10x rates of improvement	To develop more intensity in supplier relationships and seek strategic alliances with capable partners
Develop a shared services organization for the procurement function	MRO activities outsourced	To implement a formal supplier selection process with cross-functional input
Develop a strategic plan for purchasing and develop/leverage joint contact opportunities	New training of competitive skills for managers to transition to supply chain perspective	Total cost of ownership (TCO) savings
Develop and certify suppliers	Obtain an approved second source for authorized items	Unit cost reductions
Develop commodity councils/teams across the company	Optimize inventory investment	Upgrade skill levels of all buyers
Develop credible management information	Participate in new product development through key suppliers	Use innovative, advanced technological processes
Develop cross functional supply chain strategies	Performance management	Utility cost management
Develop formal external benchmarking process and refine metrics for driving continuous improvement	PIQ = Partners in Quality	Value analysis
Develop fully competent professional and support people recognized as best in class	Preferred supplier certification	Work with materials to reduce inventory
Develop strategic alliances	Professionalism of supplier management workforce	World class procurement organization
Develop strategic relationships with suppliers	Professionalism of purchasing globally	World-class manufacturing: partnership with supplier and technology group on fabrication expansion project
Develop stronger relationship with top suppliers	Profit improvements through reengineering efforts with suppliers	X% of purchasing spend with internal customers
Develop the workforce	Provide procurement services to customers on stand-alone basis	Year over year cost reduction with fewer suppliers
Develop travel council for Europe	Provide services to achieve ISO-9002 certification	
Develop/obtain additional training	Purchasing card program	
Direct material cost reduction via supplier based reduction-increase leverage	Purchasing power-increased corporate leverage	
Double the number of certified suppliers in two years	Quality	

**Figure 4-6
Current Roles/Responsibilities Purchasing Plays in Strategic Planning Process**

Belgium	
Cost reduction activities; reduction of cycle time; simplify logistics chain	Not enough commitment and involvement
Cost savings	Only impact on cost savings
Equal role for purchasing/sales & production (purchasing is important)	Only little influence
Gives impact, does market research, describes risks	Outsourcing, control expenses
Implements corporate plans	Reduce inventory, reduce price increases
Implements initiatives	Responsibility to buy the raw materials (50% of total cost) as cheap as possible
Is improving	Strategic planning process is part of the responsibility of purchasing management; MRP-manager reports to the materials resources manager
No function but to handle the administrative tasks	Too little!
No influence	
Canada	
Advises of constraints associated with the availability of materials / long term price changes	Part of overall supply chain management
Asks for input before decisions are made	Participate in budget, supplier selection, product selection, etc. Determine objectives regarding purchase, inventory, logistics and supplier management
Capital planning/services strategy	Presently do not have a role
Continuous on time material flow to assembly line; be 95% on time from factory for finished product	Provides the department's strategic plan to corporate planning group; integration an issue
Cost information for feasibility studies goes into all diversification opportunities as well as analysis of market conditions and trends	Purchasing largely does its own strategic planning and presents to corporate for inclusion in corporate strategic plan although the latter is very inadequate
Department head participates in strategic planning meetings	Purchasing reacts to strategic plan put in place by the corporation
Determine future profit projection and budgets	Purchasing viewed as necessary expense versus valued department
General manager has involvement with the planning process	Responsibility for the tender/proposal/quotation of goods/services within the towns by-law
Have input and are listened too	Setting up supplier partnerships and dealing with logistical issues new initiatives
Involved and opinions respected - part of team	Standardization of products and services technology for the future
Involved in implementing supply chain management group at two locations	This role is not utilized to the extent possible
Low key role for the past 2-3 years but slowly returning to a more active role	Tied to long range raw materials price forecasting
Marginal changer of financial results (costs); effectively independently of corporate strategic plans	To ensure that parts/products are brought in at the right time at the right price
Minimum role	Very limited
No major role except on setting up strategic partnerships	Very little
Not currently a consideration in strategy plan	Very little, limited mainly to a supply function
On a corporate level only	Very small – Provide assumptions on major commodities and view and discuss output presentation
Our company is focusing on building long term relationship with suppliers	We interact with an executive committee on our formal strategic plan – report progress within the plan to executive committee

Figure 4-6
Current Roles/Responsibilities Purchasing Plays in Strategic Planning Process (continued)

Part of expanded management team. Work on task forces and committees to provide input	
France	
A favorable contribution to the process of producing short cycle products	Strategic purchases are obtained through the implementation of operational action plans
Budget/profit margins/forecasting/product development	The main aim is to satisfy regularly the needs of the company's customers in time with the least cost
Involves the purchasing and supply function in the company's whole strategic planning process	The need for it is put into question
It is the purchasing department which suffers more often	The production needs are transmitted through the supply functions to the purchasing department which translates them into purchasing orders
It plays the role of an expert and adviser in the decision making process	The purchasing department role is slightly hindered by top hierarchical management
No role	To develop supply programs; to improve the product conception
None	To forecast the purchasing costs
Price negotiation; a follow up of order/supply delivery time	To give the purchasing department reliable prices (price studies). To make inquiries then put in an order.
Purchasing and supply function is currently considered as important as other functions within the company's strategic planning process	Trying to anticipate the suppliers market. A better selection of the company's suppliers.
Germany	
A growing one	Optimization of costs, suppliers and quality
Achievement of goals given by general management in order to improve the competitiveness of the products on the markets	Plays no role
Active role in corporate planning; especially as cost aspects are regarded	Price and time to deliver have impact on investment planning
Buy everything within the budget for the purchasing department	Procurement has an impact on all topics which are relevant
Guarantee of availability, reduction of the purchasing process	Procurement management is totally integrated into corporate management; it is not subordinated
Huge impacts of procurement on business performance due to 50% share of material costs on total costs	Purchasing is depending strongly on manufacturing
Impact on prices because 40-60% of the results are influenced by the materials management department	Purchasing management is expected to give forecasts in order to plan the cost structure of some products
Is getting more and more importance	Responsible for 60% of total costs; mediator between supply markets and company; consulting function towards R&D, quality management, and materials management
Is listened to	Responsible for purchasing regarding cost, quality and availability
Key role in order to sustain competitiveness of sales products; due to purchasing at good prices	Responsible for reduction of the costs of the input factors
Main focus on reduction of activity costs, material and storage costs	Role is not important enough
Mainly the realization role	Strong position due to cost effects of purchasing
Meaning is still too little	Supplies important information about cost, markets and environmental change
Minor role	The meaning of the procurement isn't appreciated highly enough

Figure 4-6
Current Roles/Responsibilities Purchasing Plays in Strategic Planning Process (continued)

Most important cost factor with 50% share in total cost	Procurement management is a service for other functions like production and engineering
No focus on procurement; the problems in other functions are predominating	Very important, between 50-85% materials cost (depends on section)
None	Very important, share of material is 45% and still increasing
Only the budget is important	
Hungary	
Active	Long production lead time, high value goods
Conditions of purchases are substantial to profitability	Main objectives are to increase sales, profit
Corporate strategy sets purchasing goals	Major importance
Cost reduction	Making proposals
Fundamental	Minor
Fundamental, price of precious metals represents a significant part of the overall costs	Minor
Important	Much more minor than it should be
Important chapter within the business strategy	One of the most important determinants
Important due to costs	Part of the business plans; effects the performance of the company and the sales
Important from the point of view of cost control	Planning of production and purchasing
Important since the material costs represent 70% of the total costs	Provide information on supply markets
Important to make profit	Provide service
Important, because the cost of material is high	Provides information for development and planning, revealing potential problems
Important, due to high percent of sales	Purchasing influences the strategic plans
Information	Purchasing is part of business strategy; the business strategy sets the goals
It doesn't influence the strategic planning directly, but top management needs information related to purchasing	Purchasing is subordinated to the company strategy
It is important only in those areas, where the market is very competitive	Recently it has become more important
It should be planned out according to cash and production plans	
United Kingdom	
At present limited/minor player, but is now gradually beginning to be an active member with emphasis on value for money	No input at present in practice; however processes (which are documented) say we should have input at corporate planning stage
Becoming more involved by attending (being invited to attend) strategy meetings	No, yet fully integrated, input significant however
Clerical rather than tactical or strategic	None
Company is currently undergoing planning process – too early to say what the impact will be	Not seen as strategic
Consultation to formulate strategy and implement plan	Partnership programs
Currently no direct involvement in company's strategic planning process, but trying to make purchasing/supply management compatible with overall aims of company	Plan produced for inclusion into corporate plan
Direction of purchasing/logistical strategy, company outsourcing strategy, benchmarking, cost reduction, vendor development/relationship issues	Procurement will facilitate cross-functional teams in developing specifications but not whether to make or buy

Figure 4-6
Current Roles/Responsibilities Purchasing Plays in Strategic Planning Process (continued)

Feed the director of finance who is my voice on the board	Purchasing is an undervalued function. Little realization exists within senior management / executive of the potential contribution which can be made to bottom line profitability. Has no direct board representation.
Feeds forward management commercial plans but still rather ad hoc	Purchasing plans feed into corporate plans
Follow board directives	Purchasing represented in management team for company and are involved in strategic decisions
Forecasting of costs, strategic supplier relationships, product launch schedules	Purchasing since my appointment 12 months ago has risen in its importance; it has been singled out as a major potential contributor to bottom line benefits
Heavy involvement in strategy – cost budgets, cash flow, etc.	Purchasing's operational plan feeds into the corporate plan
In reality none, though a business plan is submitted to the branch/head division	Seen as a deliverer of tactical solutions to short-term business needs
Interprets company strategy/derives purchasing strategy	Seen as independent of the corporate planning process
Limited and reactive	Service improvement / corporate savings analysis
Long term make/buy/invest decision	Setting targets for training levels
Low level factory for the body corporate	Supplier development director is major player within management team. Sits on all executive committees.
Major input to power station development program	Tend to react to difficult situations as they arise. Make efforts to offer company advice on supplier performance and eliminate risk.
Milestone reporting between functional and company quality council	The role is currently limited and the strategic planning process is led by the major spending departments
Minimal	To commission appropriate high quality services that are clinically cost effective
Minor participant	Together with quality and materials all outsourcing is a "team" decision
NIL	Very limited – only involved in purchasing's own strategic planning
NIL	Very much process oriented
United States	
A close working relationship with customers in order to increase TCO savings	Pro-active involvement exists in any market and activity we have the time to assert ourselves into
An integral part of the total supply chain (i.e. purchasing, logistics, and manufacturing) which is a key part of the total business strategy	Procurement leadership plays a minor role in the company's strategic planning process; but is responsible for developing procurement strategies based on the demand for procurement support
Collect/consolidate corporate data, supplier management, contract prep, negotiation, cross-functional team coordination	Provides input on an "as requested" basis
Commodity cost mgmt program-to reduce the cost of doing business	Provides specific commodity and product interpreted inflation forecast; input and participation in rolling 5 year business plan
Company financial targets translated into purchasing responsibilities	Purchasing and supply management plays no role in the company's strategic planning process
Company's strategic plan is based on agreed-to goals by purchasing	Purchasing anticipates and responds to changes in the company's strategic plans
Contribute directly to financial/operational success by developing and achieving initiatives supportive of corporate goals	Purchasing develops goals to support corporate strategy and mission

**Figure 4-6
Current Roles/Responsibilities Purchasing Plays in Strategic Planning Process (continued)**

Contributor, feed to other strategic related plans	Purchasing has full responsibility for developing and implementing the supply management portion of the strategic architecture. Participates in setting overall strategic direction.
Currently focused on savings: reductions through negotiations, leveraging	Purchasing has minimal involvement in the company's strategic planning process
Develop (jointly) w/development & design engineering product technology road maps. Determines component cost take-down waves (yearly/month, follow-up) that CFO's org. uses to set up/project business unit profitability targets.	Purchasing is now involved in establishing goals for inventory, MWBE expenditures and materials & services cost per unit of output
Develop a departmental plan that integrates corporate objectives and business units' plans	Purchasing is the administrator of global purchasing
Driver in the X/Y merger	Purchasing participates in the development of the corporate strategic long range plan (SLRP)
Equal participant in all phases of material cost and savings goals	Purchasing plays a significant role in the major expenditure categories, i.e. energy, chemicals, high value operations/ packaging materials, and a strong materials management role to support capital projects
Establishes cross-functional teams and guides overall program	Purchasing supports the overall strategy of the company
Fair amount of emphasis now, but could be better. Move to proactive strategic planning.	Re-active role on the majority of purchases
Finished good inventory mgt – supply chain mgt (cradle to grave) – fastest to market for new recordings and soundtracks, member of the executive committee	Role is insufficient for impact supply management has; being reevaluated at present
Group wide effort and team in place; well funded and staffed	Savings from our purchasing programs are helping to fund our growth limitation
Have small input at top level	Second hand information to operations on costs that are built into their budget planning process
Honestly – virtually none	Senior managers have a seat at the table and provide input to cost management strategies
Identifies and provides to business, population of suppliers/technologies candidates for strategic alliance and executes same	Small part
In 1997, purchasing will be a member of the strategic planning team to develop goals and visions for the next 5 years	Small role for MRO, high for raw materials
Influences product planning and timing due to technical timetables of suppliers	Some input on phones and cell site build schedule
Input and support	Some involvement in cost forecasting, availability of critical materials
Input to vision 2000 strategic plan, major player to improving profitability	Somewhat of a strong role. However, strategic planning often is driven by technology or other non-purchasing factors.
Internal participant; facilitator; innovator	Supply commitment to meet forecasted demand. Feedback on timing of new products' mass production availability.
Key member of each sector & strategic business unit's strategic plan	Supply plan must be in place prior to moving product plan to pilot production. CPO is part of corp. strategic review process.
Leadership representatives participate in planning sessions to establish mission, goals, measurements, process improvements, issues and timeline	Survival mode
Limited	The newly formed "strategic procurement council" and "strategic sourcing teams" have been helpful in involving the purchasing departments in our overall strategic planning process

Figure 4-6
Current Roles/Responsibilities Purchasing Plays in Strategic Planning Process (continued)

Limited, but increasing. Purchasing's contribution is finally being recognized	They tell the planner what their projects will be for next year, based on best guess of corporate direction
Linked to customers	This year, purchasing's 3 year plan will be used to target business unit materials and services \$ impacts
Macro make vs. buy decisions; complete product development process and commodity teams	to beat the competition by working with suppliers to reduce cost and improve quality and delivery performance
Major role in cost and team development of new products	to educate, train, and guide our internal customers on utilizing our corporate strategic plan
Materials manager involved. Member of corporate strategic management team.	Very active in developing our corporate direction. We tend to be cross-functional at the executive level.
Minimal involvement in planning, more involvement in execution	Very large, active in each business and all review panels
Moving from tactical to strategic to achieve lowest total costing and a manageable supply base	Very little, ours is mostly a support role for cost information
Much effort to get early supplier involvement in integrated product development is showing benefit	Very low
None	Very minimal-we react to company's planning outputs-our inputs usually don't rise to top
None	Very recently (3 months) very active – prior, nothing
Our plans must support corporate strategic objectives	Virtually none, but we expect this to change as we begin the purchasing-driven strategy integration effort
Our profit objective is built from spending data. Programs to improve are built into businesses profit objective.	We communicate corporate strategic plans to our suppliers and develop plans for the supplier involvement
Overall long-term strategy and implementation	We manage the supply side of the business and represent that view
Participate on business teams. Input to capital project planning and all new business initiative planning	We provide forecasted pricing for major commodities
People are assigned to each business unit to develop business unit and purchasing strategies	We sign off and offer input on company railcar requisition to assure marketing needs are "doable"

**Figure 4-7
Roles/Responsibilities Purchasing Should Play in Strategic Planning Process**

Belgium	
Can remain as it is	Important purchasing should increase
Develop more strategic partnerships	Involvement in strategies concerning third parties/supplier subcontractors
Direct involvement	More intense collaboration from the start of the product development
Direct involvement is necessary	More make/buy decisions
Have an influence on every important item	Provide information in time
Impact and involvement in determining purchasing objectives	Provide input on savings and goods
Canada	
Be included with equal role and participation as other department and business units	Part of each government sector strategic plan
Decrease cost and increase supplier development	Partner with operations and maintenance
Discuss strategic cost management and value creation opportunities with strategic planning team - help shape plan	Play a greater role in the preparation of the budget for capital & ordering supplies
Focus on customers' needs	Provide input in development of strategic i.e. overall process – focus on SWOT analysis
For most oil companies that have a purchasing dept. their impact is on materials only vs. effect only 15%-20% of the budget	Purchasing needs to be aware of company forecasts and direction in order to have inventory and systems to match the explicit demands
Have an equal share min. 50%	Purchasing should be involved in long range plans for us to map out our POA
Identify items critical to success of firm and establish long term effective procurement strategies	Purchasing should play a major role in plans effecting cost reduction and quality management
Integrate abilities of suppliers and availability of sources with identification of alternate products to support sales and manufacturing	Purchasing/supply management needs to get involved earlier in the development process
Integrate at initial stage	Should be a key element in an integrated plan
Intimate involvement at every stage	Should be a key player. Reduction of costs an important element to improvements in the "bottom line". Important gains to be made.
Involvement in asset and program planning	Should be as strong a role as sales 10:1 ratio sales versus savings
More awareness of GOI in planning FY budgets	Should be involved because involved in the process is success
More involvement in the budget development process	Should be more extensive
Must have some goals that mesh & contribute to corporate plan	Should be viewed as a revenue generator, contribution is less costly than that of revenue through sales
Must help in globalization of sales and manufacturing overseas	Should source new opportunities. Should be involved earlier in the process as opposed to after the fact.
No major role except on setting up strategic partnerships	Should work closely with sales & marketing, manufacturing, and product development on developing the strategic plan
Our involvement makes my colleagues envious - the process could improve; we're happy maintaining the status quo	To inform company on new technologies/services available to further reduce costs
P&SM has the capability to identify opportunities for significant cost savings	We do play the role

Figure 4-7
Roles/Responsibilities Purchasing Should Play in Strategic Planning Process (continued)

France	
A regular involvement in the conception and the production processes	The purchasing department is in need of more important participation in the company's strategic planning process
Joining together the purchasing and supply function and improving the coordination system in order to reduce costs	There is not any expected changes
More involvement of the purchasing function in the company's strategic policy	To be the driving force
None	To choose the products (range of products) and supply method (stock level)
Purchasing and supply function should continue to play its important role in the company's strategic planning process	To forward proposals concerning some products
The purchasing and supply functions play an important role in the company's strategic planning process	To participate in the company's strategic planning process as "cost center" and an important representative of the firm's suppliers
The purchasing and supply management should be integrated with the whole company's strategic planning process	To take more into consideration the customers
Germany	
As the share of goods and services on turnover will increase, there should be more focus on procurement in supply markets	More active role; e.g. information about strategic changes
Central controlling and planning – decentralized execution	More influencing
Coordination with sales department should be better	More information
Early involvement	Procurement management should be included during the planning of demands
Engineering, materials management and quality management should take purchasing management serious	Purchasing must be integrated in the company's planning
Guidelines for use of materials; stronger involvement into engineering processes, recognition of basic conditions i.e. delivery times	Purchasing should be an adequate partner
In order to achieve the strategic goals of the procurement function, it is better to stay unnoticed!	Purchasing should be involved into corporate planning
Increase involvement to projects and forecasts; further importance of procurement	Should be integrated in the strategic management process
Integration in interdisciplinary processes / invest / planning	Should play a bigger part
Involvement in strategic decisions	Strategic total cost reduction
Long-term partnerships with the world's best suppliers	Supplier should only communicate with the buyer directly to make strategic procurement possible
Meaning must increase	
Hungary	
Constantly seeking for the most reliable suppliers who offer low prices	It should be adjusted to the annual sales plan
Decreasing costs, solving requirements	It should influence and support the corporate strategy; it should also influence the planning process
Enhance efficiency	More active
Evaluation of purchasing is based upon the reduction of prices; instead it has to aim to reduce operation costs	More independent, more significant
Has to support sales	Provide service, information, building contacts

Figure 4-7
Roles/Responsibilities Purchasing Should Play in Strategic Planning Process (continued)

If the information system works well, then no need for participation	Providing information, but geographically
Important	Purchasing based on its information on suppliers and supply markets should affect the company strategy
Important part of the strategy. It has a significant role in cost reduction and quality improvements and to satisfy customers	To discharge, building linkages, providing service
Influential	To ensure supply on time, favorable price and in the right quantity
Information gained by the purchasing function (price, quality, etc.) should influence the marketing plans	To influence strategy formulation, top management should be involved
It has to be involved in the planning process	To support strategy formulation
United Kingdom	
A joint plan should be agreed to with more purchasing input	More involvement in make or buy decisions and increased use of supplier development initiatives
All issues relating to vendor selection, management & direction, and logistics related strategy	No change
An integrative role in determining strategy	Purchasing and Supplies Manager should have higher profile in strategic planning process but first needs to earn the right to be heard by demonstrating compatibility with overall aims of company
Awareness of market conditions and sourcing implications in terms of timing , packaging, and overall approach – in-house versus outsourcing	Proactive and focusing on external resource management
Be wholly responsible for directives	Purchasing needs to act as a facilitator and agent of change by delegating what have been traditional activities to the areas where benefits can be achieved
Board level	Purchasing should manage all bought out spend
Development of the supply chain to operate on the competencies of the organization	Service performance improvement (cost reduction programs)
Directors should respect purchasing manager's dignity and should delegate some decision-making power to him, or purchasing manager is just like a messenger	Should be consulted before setting organizational strategy and invited to input to the plan
Earlier involvement in the planning and design of strategy to include cost avoidance techniques	Should be included in all planning
Full part in account management and forward planning	Should be seen as major contributor to company's cost effectiveness and be involved at earliest possible stage when planning for forthcoming expenditures
Fully involved at all levels	Should contribute to planning of new business areas, personnel policy (permanent vs. hired), capital programs, etc.
Fundamental to the management of the organization's overall goals	Should operate and coordinate closely with corporate members to integrate purchasing management responsibilities in line with company strategy
Identify new strategic alliances with the expanding Asia markets	Should play an integral part in strategic planning process to the level of appropriateness
In some areas purchasing should drive the activities. In other areas purchasing's role is secondary. There is no right or wrong!	Should shape technology drivers
It should play a greater role particularly with the increase in outsourcing and growing understanding of the supply chain	Strategic business support. Influencing decisions with knowledge of supplier market
More strategy, less paper	Supply corporate planners with supply chain strategies that meet corporate plans

Figure 4-7
Roles/Responsibilities Purchasing Should Play in Strategic Planning Process (continued)

More and earlier involvement in formulating strategy and implementing plan	The decisions on strategic direction for the company should reflect the availability and competence available from both the internal and external markets. Purchasing should provide the external evaluations.
More interaction	Use of technology, greater influence on product launch dates
More involvement can only be by demonstrating professionalism and competence	
United States	
Should play and “currently playing” are aligned	Purchasing and supply management should be an equal player at the table with manufacturing, marketing, R&D, etc.
A lot higher. Should be one of major drivers of company strategic plan	Purchasing and supply management should participate in the process to ensure that its strategies are aligned with corporate strategies
A senior executive for purchasing should have a key role in strategic planning process, if only to know what the rest of the organization is planning	Purchasing is the communication channel to outside
Active participation with business teams for individual business objectives	Purchasing should play an appropriate role and be recognized as a critical capability which warrants strong functional expertise
Adequate	Purchasing should be responsible for presenting cost reduction opportunities for inclusion into plan
All “make or buy” decisions, all long term agreements, supply market knowledge	Purchasing should be a provider of input on where the markets are heading and where technology is being developed
Be a cornerstone	Purchasing’s contribution to cost control and reduction should be addressed specifically in the company’s strategic plan
Become more of an integral part of the company’s planning process on all significant spending	Purchasing’s role is critical to the company’s success at obtaining certain cost and profitability goals set by the company
Broader participation in the services area	Rather than sending a management representative, leadership should participate in those sessions
Could contribute to supply chain focus	Should be the driver
Depends largely on the impact of purchasing/ cost of raw materials	Should be a key part since 60% of sales \$ is handled by purchasing
Direct input into budget and strategic planning	Should be a major player
I believe purchasing should serve as a viaduct for communication of information and technology changes which might favorably impact our operations	Should be actively/meaningfully involved
Identify partnership opportunities; establish multi-year contracts; develop cost reduction strategies	Should be considered an integral player right from the front end of the process
I’m satisfied with our role today	Should be corporate wide
Increase pro-activity	Should be extensive influence on design criteria (DFM)
It is especially important that purchasing be involved on new-ventures planning to assure that availability and costs of needed raw materials and services are properly considered	Should be joint development
Keeping the process of supply base management moving into total integration with engineering, quality and manufacturing	Should have greater role in cash flow and capital planning functions
Lead decision making on supply chain structure and strategic supplier relationships	Should have more emphasis on updating and revisiting plan corporate-wide for effectiveness and reality check
Linking supply chain to meet customer needs	Should play very strong role versus “as a means to achieve plans” after goals/plans are established

Figure 4-7
Roles/Responsibilities Purchasing Should Play in Strategic Planning Process (continued)

Major driver in strategic procurement/planning process	Since purchased material and supplies make up such a large part of any companies cost base - it is important to make our suppliers part of the teams to achieve greater production value
Major, we are 28-30% of total dollars in our company	Since we are a transportation company and not a manufacturer, our role is about right
Management needs to recognize that a majority of all manufacturing costs are in purchasing related materials, supplies and services	Some but very limited
Many of the improvements desired in supply chain improvement are in purchasing arena and area of expertise	Stronger role in make-buy and mergers/acquisitions process
Minor because major R/M is wood and wastepaper which are purchased by separate line organizations	Supply management should gain more recognition as being a vital part of the strategic planning process
More focus on what impact can be brought by procurement	The general manager of the procurement function is a member of the company's management committee and has the appropriate level of involvement in the strategic planning process
More influence on make/buy	The role we play now is acceptable
More input in capital planning and evaluation	We need to focus on the purchasing process which will drive planning and execution from an internally focused purchasing management program to an overall company focused performance model
More input in product creation process/design. More input in service, non-traditional buys.	We should be a major participant in the process. We control the expenditures of vast sums of money, and can bring a lot of value-add to the table.
More input to better plan and execute	We should be involved w/our suppliers much earlier in the project planning process
More involvement in make/buy decisions and OEM procurement	We're okay
Must be a member of the group developing the plan	While cost containment is a strategic corporate directive, purchasing should be an integral player in identifying opportunities and implementing strategies
Purchasing and business units communicate more on future requirements	

Figure 4-8
Reasons for Gaps Between Current Role / Should Be Role Purchasing Plays
in Strategic Planning Process

Belgium	
Company decision	Persons involved have to have the same information
Culture gap USA & Europe	Purchasing department is not acknowledged by the organization
Historical	Purchasing is alienated from the rest of the business
Lack of professionals, no support from the top	Purchasing is not a management function
No recognition of purchasing by the top	Strategic development plan is dominated by sales objectives
Canada	
Animosity between political and senior administrative bodies resulting in lack of leadership and direction	None - No gap
Benefit of purchasing overlooked by management	None - No gap
Change in vision of upper management 3 years ago giving low value to procurement process. Slowly emerging from this cycle.	Not enough understanding by senior managers as to the value purchasing has
Company is more sales oriented than operations	Private ownership of \$150 million company
Corporate culture in transition	Purchasing / Materials/ Logistics needs marketing
Decision making dominated by engineering	Purchasing and supply management not an operational priority
Gap does not exist - purchasing reports directly to sr. management	Purchasing is a "new" concept and needs development and promotion
Historic perception of clerical function; limited abilities of hired staff	Purchasing is still not considered a primary department
History of higher priorities at executive/marketing focus	Purchasing professionals are not respected for their contribution, and in turn they are not productive or aggressive about being involved in more meaningful work
In part culture, in part misunderstanding of our role	Purchasing staff need to execute the strategic plan on time
Lack of awareness of purchasing's ability	Still not recognized by senior management for its potential
Lack of sharing corporate knowledge	Strategies tend to focus on revenue generation
Lack of understanding by management of possible contribution	There is not a substantial gap
Low profile of procurement in organization	Time constraints
Need to sell value added services up the ladder	Users believe they know better
No significant gap	Usually marketing comes up with the ideas purchasing must execute
Non-recognition or perceived value by upper management	Yes, corporate structure
France	
1) The culture of the enterprise. 2) The purchasing function is only recently introduced within the banks.	A year before my arrival within the company, the buyers were just involved in routine work
10 purchasing agents in 1979, 200 agents in 1990 and 500 agents in 1997	Hierarchical personnel turnovers
A highly increased tendency in favor of technology	If supply is linked to the production activities, the purchasing function is more market orientated
A partial recognition of the important role of the purchasing function	Relation influence, lack of acknowledgement
A real sluggishness is characterizing the behavior of clients and suppliers within the same sector. Hence, there is a real need for mobilizing the personnel.	The hierarchical structure

**Figure 4-8
Reasons for Gaps Between Current Role / Should Be Role Purchasing Plays
in Strategic Planning Process (continued)**

Germany	
Development from operative to strategic role is in process	No early purchasing involvement
Former business philosophy doesn't fit with new directions	Strategic aspects of purchasing are still not recognized by top management in spite of great impacts of costs
In the past, there were problems in accepting the strategic meaning of procurement	Top management has a lack of knowledge towards importance, tasks and performance of procurement
More involvement into strategic decisions; i.e. outsourcing, decisions about locations, R&D activities	
Hungary	
Current practice, qualification of the staff	Lack of resources, importance not yet realized
Former bad practice	Lead times for international purchasing are too long
Hierarchical organization; no direct communication among purchasing and top management	No major changes
Internal problem	Not enough attention
It has not been realized that it can contribute to cost reduction	Organizational structure
United Kingdom	
As a new function in the organization it will take time	New philosophy. Takes time to change a culture. Belief purchasing is a lot of "old men" doing nothing. Must change this perception.
Board intervention	No purchasing representation on the board of company
Collective lack of understanding of purchasing	No, other than more intensive action
Communication / consultation, liaison between marketing function and purchasing	Old-fashioned processes & perspective
Custom and practice	Only can do short term planning due to government funding
Finance, and the business units haven't considered the impact of our external spending	People like to do their own thing
Historic positioning of purchasing	Procurement is a low status profession
Historically, purchasing was seen as a bureaucratic necessity to prevent fraud and only gradually are we able to convince the corporate family otherwise. It is still perceived as a clerical function staffed at a minimal cost.	Procurement is still evolving from traditional to strategic due to historical reasons
History of corporate structure (in which procurement has limited influence)	Purchasing is considered an operational function; strategic planning is considered policy-making task for non-operational units
It is because directors lack of trust in staff, staff members are expendable	Purchasing is not perceived as a critical element by corporate management
Lack of integration into business units	Rapid growth of company
Lack of representation at senior management level	Resistant to change- purchasing = relatively new concept
Lack of senior management understanding (this needs to be initiated by purchasing)	Short-term tactical needs vs. long-term desires
Lack of senior management understanding of what purchasing is and can do	Should provide more market feedback
Lack of understanding from senior managers	The gap exists because of past cultural issues; this is a main area for change
Limited awareness of the role of procurement	The need for further increases in purchasing's profile and potential

Figure 4-8
Reasons for Gaps Between Current Role / Should Be Role Purchasing Plays
in Strategic Planning Process (continued)

Low view of ability and appreciation of purchasing internally direction	Too much power between purchasing and company
Lack of professional buyers	Traditional perception that purchasing was concerned with placing orders
New organization	Yes, there is a substantial gap because purchasing is not understood/supported by the top office
United States	
Autonomous business unit culture allows other areas to purchase specific commodities	No—not bad as is
Better service, improved quality, reduced costs were not historically perceived as locked together	Not a substantial gap. The small gap that does exist is due to our “program” director/technical oriented organizational structure
Company tradition is strictly engineering (development) driven	Not applicable
Continued need to increase emphasis on purchasing vs. manufacturing	Not much gap
Corporate organizations	Organization structure leads to lack of trust
Culture, history, politics, corporate priorities	Organizational relationship of corporate ME dept and CEO
Decentralized philosophy	Past senior management's failure to understand the strategic importance, as well as role of purchasing and supply management to the corporation
Due to autonomous business unit structure vs. corporate whole	Perception that procurement is not a strategic function
Due to the changing industry and company business environment	Process needs reengineering
Evolution of role of procurement not yet completed	Purchasing has not properly made their case (up to this point in time)
Executive decision	Purchasing is not directly aligned with cost responsibility
Former corporate culture	Purchasing not recognized as a strategic function. Most high management is sales/marketing focused and MBA programs don't emphasize the strategic nature of purchasing/MM
Gap is in the implementation and resources needed to impact total cost	Reality of scope of contribution has been slow to catch attention of top management
Gap may exist due to traditional perception of purchasing	Role clarification; resource alignment; trust in capabilities
Historical precedence - fear of unionization	Senior management lacks focus on importance of purchasing in a service company
Historical view that function is transaction focused	Silo effect
Industry/market dynamics have not forced the change	Some grasp - regrouping is needed
Lack of communication	Sr. management dominated by engineers who don't totally understand the significance of our role
Lack of communications	Still some silo mentality
Lack of faith in purchasing function	The company realizes that the only way to achieve optimum results is to leverage procurement as a key corporate strategic role
Lack of recognition of the importance of the purchasing function	The corporate objectives in the past have been mandated and may not have any basis in the conditions of the marketplace
Lack of top level management support	The gap is narrowing. The remaining gap is related to cost; it is expensive to fully integrate the process and the benefit is not yet clear to some.

Figure 4-8
Reasons for Gaps Between Current Role / Should Be Role Purchasing Plays
in Strategic Planning Process (continued)

Lack of understanding and education by some in management	There is no substantial gap due to the pre-meetings that take place between purchasing and company planning
Lack of understanding in the business of the total procurement/supply chain process	There should be more involvement by procurement management in the goal-setting process to ensure the company expends its dollars for goods and services as wisely as possible
Local vs. corporate interests-short term versus longer term	Our company focuses on "core" competencies-purchasing is not one of them
Make-buy roles, different measurements, and company goals	Traditional role of purchasing as merely a support group
Need better and broader communication	We are early in implementing involvement in business unit strategy
No gap	Workload
No gap	Yes - purchasing role was deemed as a paper process rather than an integral part of the process. That is changing as we become more assertive.
No gap	Yes-materials management has not been recognized as a critical organization within the company; "improving"
None	

5.0 Information and Decision-Support Systems for Purchasing and Supply Management

5.1 To What Extent Does Your Purchasing Organization Currently Have the Following Twenty-Three Computer-Based Information and Decision-Aid/Support Systems/Processes Implemented? Additionally, What Is Your Desired Level of Implementation for Each of These Systems/Processes?

Figure 5-1 summarizes the responses to these two questions for all seven countries combined. Figure 5-2 shows a simplified bar chart of the results shown in more detail in Figure 5-1. The various columns in Figure 5-1 may be interpreted as described earlier in Figure 2-1. Note that the “current involvement” item ranked 3rd has a lower (but statistically insignificant) “desired involvement” score (4.33 vs. 4.13) which suggests that respondents are intent upon moving toward networked client-server systems to support their purchasing and supply management information needs. In addition, it is interesting that the “desired involvement” item ranked 1st is **Supplier Reporting/Evaluation**. At the other end of the listed items, **Purchasing through the Internet, World Wide Web**, etc. currently is virtually non-existent, and desired involvement scored next to last as well. (Since these data were collected in 1996-7, these results may not reflect current conditions in this fast-developing area.)

5.2 For the Same Activities [in Figure 5-1 and 5-2 Above], What are the Individual Results for Each of the Seven Countries? Are There Significant Differences Among the Seven Countries' Mean Response Scores?

Figures 5-3 and 5-4 present the “current” and “desired” results for each country. Note that while there are several significant differences among most of the seven countries, the top-ranked areas where they are in strong “desired” agreement are **Supplier Reporting/Evaluation, Purchasing Performance Evaluation, Networked Systems**, and **Cycle time/lead time tracking**.

5.3 Does Your Purchasing Organization Have Its Own Systems Staff? If Yes, How Many Individuals are On This Staff?

Figure 5-5 summarizes the results of these two questions. Overall, about a third of the respondents have a dedicated systems staff of about 6 people, with French respondents being well below average, and Canadian, German, and American respondents above average.

5.4 What Plans Do You Have (Hardware,

Software) in the Next 3-5 Years for Upgrading Your Purchasing-Related Information Systems?

Figure 5-6 presents planned information systems identified by the respondents. (Note: Some of the responses identify specific systems that may not be broadly known to the readers. We have included them, however, because they may provide some insight into systems whose implementation is planned by the respondents.) By scanning this figure, however, it is apparent that planned implementation of client-server architectures of Enterprise Resource Planning systems (ERP) such as SAP/R3, Oracle, Baan, and J. D. Edwards, is high on the list for a large proportion of the respondents.

Summary and Conclusions Regarding Systems

Much is yet to be done, according to respondents, to develop and implement value-adding information systems to support purchasing and supply chain management functions. The strong movement toward networked systems could provide a great leap forward, however these systems are proving challenging to implement on top of current systems that have been built to support current-culture decision-making and information needs. Undoubtedly, the maturing of the Internet will have a substantial impact on transactional activities related to purchasing and supply management. However, decision-support systems will still have to be designed and implemented to enable firms to compete effectively in these fast-changing global markets. The reader may wish to use the information contained in this report as a checklist for setting information system initiative priorities.

Figure 5-1
Computer-Based Information and Decision-Aid/Support Systems for Purchasing and Supply Management
All Seven Countries

	Current Involvement					Desired Involvement						
	Rank	Mean Score	Number of Responses	Percent 5,6,7	Percent 7	Rank	Mean Score	Number of Responses	Percent 5,6,7	Percent 7	Gap Percent	Difference
Individual PCs and/or terminals for purchasing staff	1	4.92	320	64.7%	42.2%	8	5.49	241	75.9%	58.5%	11.6%	***
Internal e-mail for purchasing staff	2	4.72	328	60.4%	44.2%	2	6.06	243	87.2%	64.2%	28.3%	***
Mainframe-based purchasing system	3	4.33	318	56.0%	30.2%	20	4.13	223	51.1%	30.5%	-4.62%	
On-line-real-time buyer's work stations for accumulating requirements, supplier info/tracking	4	4.02	328	47.0%	22.6%	3	5.92	251	84.5%	52.6%	47.1%	***
Supplier reporting/evaluation	5	3.90	330	42.7%	9.4%	1	6.10	269	88.8%	47.2%	56.6%	***
Cycle time/lead-time tracking	6	3.57	329	35.0%	7.9%	7	5.66	267	81.6%	38.6%	58.3%	***
Manufacturing Resource Planning or Material Req. Plan (MRP) system	7	3.43	318	38.1%	17.0%	14	4.91	243	66.7%	35.4%	42.8%	***
Purchasing performance evaluation	8	3.41	329	29.8%	5.8%	4	5.88	267	85.0%	41.2%	72.4%	***
External e-mail for purchasing staff	9	3.29	328	32.6%	18.0%	5	5.69	249	80.3%	48.2%	73.0%	***
Networked client-server system for purchasing (such as SAP-R3, ORACLE)	10	3.19	313	33.9%	16.9%	6	5.67	242	78.1%	53.7%	77.7%	***
Microcomputer (PC)-based purchasing systems	11	3.10	318	29.2%	11.9%	21	4.01	228	50.9%	22.8%	29.4%	***
Direct dial-up to purchase office suppliers/MRO by internal staff	12	2.85	329	24.9%	10.3%	15	4.89	252	61.1%	29.4%	71.8%	***
Internet access via World Wide Web for purchasing staff	13	2.80	322	22.4%	13.4%	12	5.22	248	70.2%	37.1%	86.7%	***
Electronic Funds Transfer (EFT)	14	2.75	316	23.7%	8.9%	13	5.03	234	65.8%	32.1%	83.3%	***
Electronic Data Interchange (EDI)	15	2.73	320	23.1%	6.9%	10	5.30	251	74.1%	34.3%	94.0%	***
Videoconferencing	16	2.72	322	22.0%	8.7%	19	4.28	241	48.1%	18.7%	57.1%	***
Automatic releases/call-offs of requirements (POs) to suppliers	17	2.58	330	20.9%	5.5%	11	5.22	257	71.6%	28.8%	102.0%	***
Private intranet system for purchasing	18	2.32	321	16.5%	9.0%	16	4.70	243	59.3%	31.3%	102.0%	***
"Total cost" of purchases modeling/decision-aiding system	19	2.28	330	13.9%	3.0%	9	5.40	267	75.3%	30.3%	136.7%	***
Collaboration/problem solving "groupware" (such as Lotus Notes)	20	2.26	318	14.8%	3.8%	17	4.50	246	55.3%	20.7%	99.2%	***
MRP system that electronically interface with suppliers' MRP or order entry systems	21	1.73	316	7.3%	2.5%	18	4.43	245	54.7%	20.8%	155.4%	***
Purchasing through the Internet, World Wide Web, etc.	22	1.46	329	3.3%	1.2%	22	3.96	252	42.9%	12.7%	171.2%	***
On-line, real-time "auction-like" bidding by pre-qualified suppliers for items with clear specifications	23	1.19	325	1.2%	0.0%	23	3.08	248	23.4%	4.0%	159.0%	***

*p<0.05

**p<0.01

***p<0.001

Figure 5-2
Computer-Based Information and Decision-Aid/Support Systems
for Purchasing and Supply Management

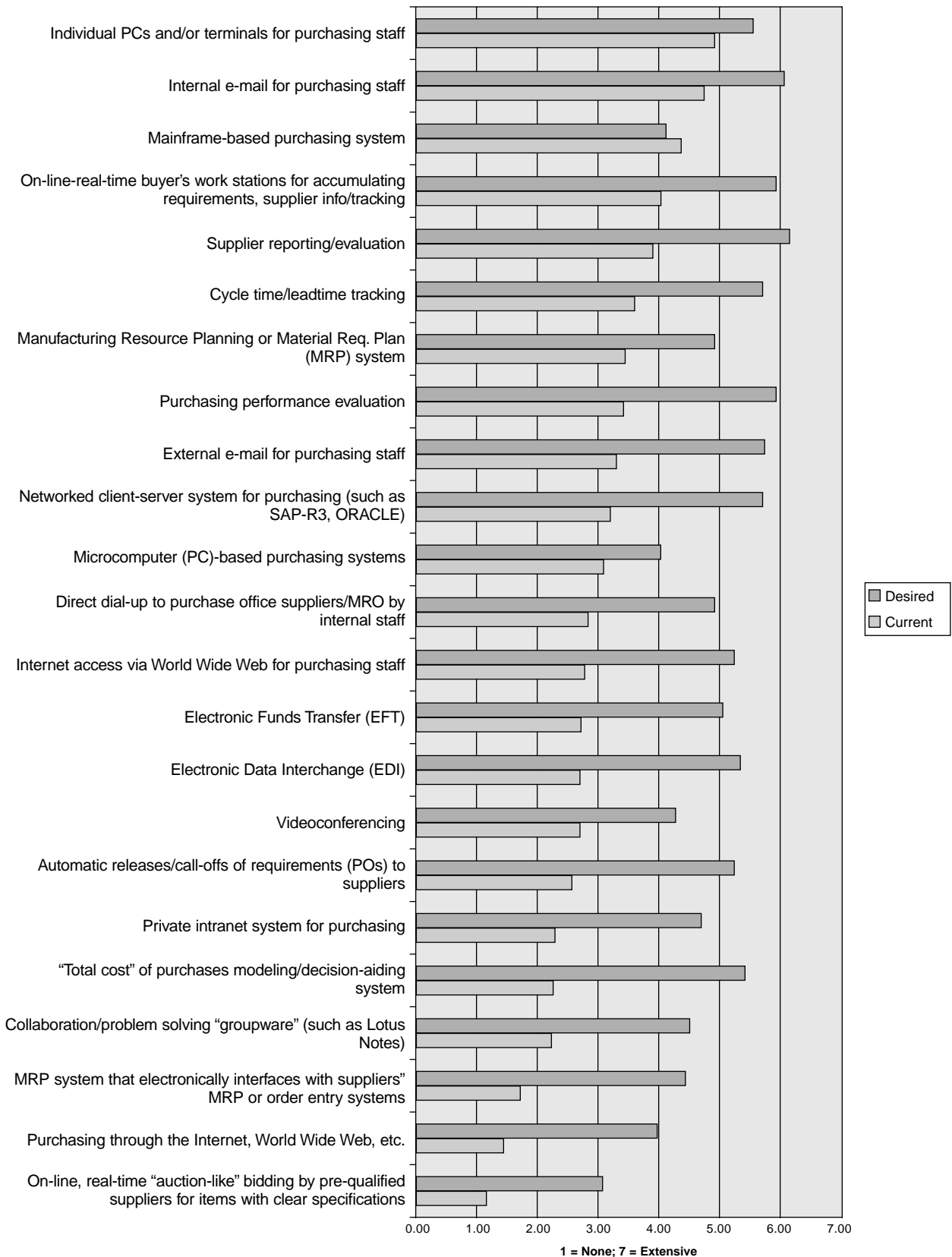


Figure 5-3
Computer-Based Information and Decision-Aid/Support Systems for Purchasing and Supply Management

Current Involvement
(Comparison of Mean Scores for All Seven Countries, Sorted from Largest to Smallest Overall Mean Scores)

Activity	Rank	All	Belgium	Canada	France	Germany	Hungary	United Kingdom	United States	Significant Differences (p<0.05)
Individual PCs and/or terminals for purchasing staff	1	4.92	5.23	5.97	5.20	2.24	2.46	5.98	6.35	G,H<B,C,F,UK,US
Internal e-mail for purchasing staff	2	4.72	4.59	5.51	3.83	3.65	1.84	5.13	6.44	H<B,C,F,G,UK,US; F,G,<C,US; B<US
Mainframe-based purchasing system	3	4.33	5.19	4.49	3.08	4.20	2.69	4.04	5.45	FH<B,US
On-line-real-time buyer's work stations for accumulating requirements, supplier info/tracking	4	4.02	5.09	3.95	3.86	5.07	2.60	3.04	4.43	H<B,G,US; UK<B,G
Supplier reporting/evaluation	5	3.90	4.33	3.90	3.59	3.78	3.40	3.50	4.40	
Cycle time/lead-time tracking	6	3.57	3.33	3.73	3.74	4.45	3.28	2.62	3.66	UK<G
Manufacturing Resource Planning or Material Req. Plan (MRP) system	7	3.43	3.81	2.48	2.71	3.53	3.35	2.89	4.32	
Purchasing performance evaluation	8	3.41	3.24	3.59	3.30	3.17	2.87	3.25	3.89	
External e-mail for purchasing staff	9	3.29	2.54	4.49	2.61	2.77	1.50	2.67	4.65	B,G,H,UK<C,US
Networked client-server system for purchasing (such as SAP-R3, ORACLE)	10	3.19	3.30	3.63	2.29	3.69	2.39	3.07	3.37	
Microcomputer (PC)-based purchasing systems	11	3.10	2.75	2.95	2.88	3.50	4.13	2.48	2.84	
Direct dial-up to purchase office suppliers/MRO by internal staff	12	2.85	2.14	2.82	3.00	3.52	2.81	1.92	3.11	
Internet access via World Wide Web for purchasing staff	13	2.80	2.48	3.49	2.03	2.19	1.45	2.04	4.11	H<C,US; B,F,G,UK<US
Electronic Funds Transfer (EFT)	14	2.75	2.60	2.41	1.85	1.45	3.51	3.00	3.22	G<H,US; F<H
Electronic Data Interchange (EDI)	15	2.73	2.60	2.48	2.04	2.65	1.23	2.44	3.98	C,FH,US<US
Videoconferencing	16	2.72	2.43	2.16	2.15	2.60	1.02	3.04	3.97	H<G,UK,US; FC<US
Automatic releases/call-offs of requirements (POs) to suppliers	17	2.58	1.90	2.39	2.11	3.58	1.22	1.89	3.45	B,H,UK<G,US
Private intranet system for purchasing	18	2.32	2.20	1.97	1.64	2.64	1.93	1.45	3.27	FUK<US
"Total cost" of purchases modeling/decision-aiding system	19	2.28	2.28	2.09	2.92	2.94	1.69	2.04	2.35	H<FG
Collaboration/problem solving "groupware" (such as Lotus Notes)	20	2.26	2.35	2.36	1.81	2.67	1.37	2.14	2.69	
MRP system that electronically interface with suppliers' MRP or order entry systems	21	1.73	1.63	1.65	1.30	1.82	1.61	1.53	2.11	
Purchasing through the Internet, World Wide Web, etc.	22	1.46	1.05	1.68	1.00	1.86	1.15	1.27	1.63	
On-line, real-time "auction-like" bidding by pre-qualified suppliers for items with clear specifications	23	1.19	1.09	1.12	1.37	1.35	1.07	1.08	1.23	

Figure 5-4
Computer-Based Information and Decision-Aid/Support Systems for Purchasing and Supply Management

Desired Involvement
(Comparison of Mean Scores for All Seven Countries, Sorted from Largest to Smallest Overall Mean Scores)

Activity	Rank	All	Belgium	Canada	France	Germany	Hungary	United Kingdom	United States	Significant Differences (p<0.05)
Supplier reporting/evaluation	1	6.10	6.19	6.36	5.60	6.09	5.46	6.17	6.25	
Internal e-mail for purchasing staff	2	6.06	5.67	6.50	5.11	5.55	3.58	6.67	6.78	H<B,C,FG,UK,US; F<C,UK,US
On-line-real-time buyer's work stations for accumulating requirements, supplier info/tracking	3	5.92	6.21	5.97	5.70	6.23	3.94	5.76	6.20	H<B,C,FG,UK,US
Purchasing performance evaluation	4	5.88	5.62	6.11	6.14	5.67	5.26	6.10	5.96	
External e-mail for purchasing staff	5	5.69	5.23	6.16	4.83	5.28	3.63	6.00	6.40	H<B,C,G,UK,US; F<B,C,G,UK,US
Networked client-server system for purchasing (such as SAP-R3, ORACLE)	6	5.67	5.05	5.72	5.18	5.95	4.44	5.62	6.06	
Cycle time/lead-time tracking	7	5.66	5.09	6.19	5.52	5.65	5.28	5.02	6.00	
Individual PCs and/or terminals for purchasing staff	8	5.49	5.76	6.65	6.25	2.10	2.29	6.42	6.80	G,H<B,C,F,UK,US
"Total cost" of purchases modeling/decision-aiding system	9	5.40	4.71	5.63	5.67	5.14	4.73	5.87	5.49	
Electronic Data Interchange (EDI)	10	5.30	5.26	5.63	3.89	5.32	2.30	5.00	6.13	H<B,C,G,UK,US; F<B,C,G,UK,US
Automatic releases/call-offs of requirements (POs) to suppliers	11	5.22	5.28	5.35	4.16	5.58	3.14	4.67	5.82	H<B,C,G,US
Internet access via World Wide Web for purchasing staff	12	5.22	5.30	5.97	4.67	4.51	3.71	4.84	5.97	H<C,US
Electronic Funds Transfer (EFT)	13	5.03	4.39	5.97	2.61	3.38	4.93	5.20	5.67	F<C,H,UK,US; G<C,US
Manufacturing Resource Planning or Material Req. Plan (MRP) system	14	4.91	5.55	4.31	4.16	4.47	5.28	4.09	5.76	

Figure 5-4
Computer-Based Information and Decision-Aid/Support Systems for Purchasing and Supply Management (continued)

Desired Involvement
(Comparison of Mean Scores for All Seven Countries, Sorted from Largest to Smallest Overall Mean Scores)

Activity	Rank	All	Belgium	Canada	France	Germany	Hungary	United Kingdom	United States	Significant Differences (p<0.05)
Direct dial-up to purchase office suppliers/MRO by internal staff	15	4.89	4.52	5.43	4.68	5.05	4.31	4.24	5.15	
Private intranet system for purchasing	16	4.70	4.33	4.21	3.44	4.29	4.56	4.39	5.42	
Collaboration/problem solving "groupware" (such as Lotus Notes)	17	4.50	3.84	5.11	3.56	4.25	2.59	4.97	4.85	H<C,UK,US
MRP system that electronically interface with suppliers' MRP or order entry systems	18	4.43	4.90	4.60	3.76	4.11	4.06	3.72	4.94	
Videoconferencing	19	4.28	3.90	4.03	3.70	3.77	1.78	4.57	5.15	H<B,C,FG,UK,US
Mainframe-based purchasing system	20	4.13	5.00	4.60	3.29	3.68	4.24	3.67	4.28	
Microcomputer (PC)-based purchasing systems	21	4.01	3.15	4.03	4.00	3.95	5.55	4.09	3.80	B<H
Purchasing through the Internet, World Wide Web, etc.	22	3.96	3.38	4.46	2.00	4.27	2.82	3.82	4.43	F<C,G,US
On-line, real-time "auction-like" bidding suppliers for items with clear specifications by pre-qualified	23	3.08	2.50	3.64	2.56	2.63	3.07	3.05	3.31	

Figure 5-5
Purchasing's Systems Staff

SYSTEMS STAFF	BELGIUM	CANADA	FRANCE	GERMANY	HUNGARY	U. K.	U.S	ALL COUNTRIES
Purchasing has own staff (% yes)	19%	45%	7%	53%	17%	39%	52%	33%
Mean number of systems staff	7.0	4.7	2.0	2.6	2.6	13.6	11.0	6.2

**Figure 5-6
Planned Implementation of Systems Supporting Purchasing and Supply Management**

1) Upgrade Oracle to GUI versions 2) Implement contract management system – Migrate to NT environment	Currently have SAP system; C++ and will be upgrading to 5.0g this year.
1997-2000 implement SAP/R3	Data warehouse systems, rather than direct access to AS-400's
2 years-replace mainframe system and MRP II system; teams in place now.	Data warehouse
5 year contract with AT&T to support the system	Desktop hardware will be upgraded. Looking at large, integrated system for all procurement.
A completely new system will be purchased within the next 12 months to replace the mainframe with an Oracle database supported suite	Development of new financial suite-Unison 2000
A full-time cross-functional team is working and providing consultative advice for implementing an integrated purchasing and financial system-migrating from legacy mainframe to third-party client/server system	EDI
Add SAP material management module	EDI
All buyers with www access; common MAS system	EDI
AS 400	EDI for ordering actions
Bar code	EFT
Bar coding inventories, corporate credit cards for purchasing low value high volume items	ERP system will implement in 15 months
Building up a client – server – system	Expand EDI
Changes as required through Ross system	Expand system to support "non-production" buying
Client server (SAP); Intranet	Expanding of EDI, purchasing cards, barcode labeling
Client/server system	Fixed asset software
Client-server materials system	Full EDI capability and EFT
Client-server PC-based systems & Deleting terminals	Full enterprise wide system being installed. PeopleSoft for financials & purchasing & major inventory; PSDI for maintenance (MRO inventories)
Complete development of SAP, purchasing networks and systems	Full implementation SAP (4.0+) Idle surplus equipment web-based
Completely new client/server (Oracle based system)	Fully integrated purchasing and accounts payable system
Considering SAP/R3	Fully integrated purchasing system on AS/400
Convert all purchasing to SAP	Going to SAP
Corporate "Oracle" system	Going to SAP - this will be a backward step in purchasing but an overall positive to SC
Currently evaluating client-server systems which can be integrated with the accounts payable environment. Our focus is on systems which use company-supported software tools and hardware platforms.	Heavier integration to suppliers and others using Internet
Currently implementing SAP	Hoping to implement SAP/R3
Currently investing over \$1 billion to simplify, enhance & fully globalize procurement's IT systems	Implement an integrated accounts payable, CMMS, MOR inventory, and purchasing system throughout company in 1997. Other integrated business subsystems likely to be added in 1998/1999.

Figure 5-6

Planned Implementation of Systems Supporting Purchasing and Supply Management (continued)

Implement SAP R-3 in some businesses in the U.S.	Internet, EDI, intranet, vendor performance
Implementation of a company wide procurement and supply chain management system know as ESPRIT (SAP R3 + 4)	Intranet and MRP II
Implementation of an integrated Oracle based financial system that incorporates order processing capability	Intro to BAAN 4
Implementation of external e-mail and Internet access	Introduction of EDI; access to internet
Implementation of Notes, SQL-Servers and a new integrated processing software (not SAP) for the HPI (Hoechst Procurement International GmbH)	Introduction of SAP
Implementation of SAP/R3	Introduction SAP/R3; additional PC-networks for ad-hoc measures
Implementation of SAP/R3	Just completed a major upgrade. Will develop a data warehouse for decision support and purchase "total cost of ownership" software
Implementation SAP/R3	LAN system linked to finance and engineering
Implementation SAP/R3; stronger use of standardized software	Looking at developing a cost savings tracking system on the WWW
Implementing new data/information system based on MS access software	Looking at Ross Systems software
Implementing new systems (SAP/R3 and PROMIR) in US (JD Edwards in Europe). Need to develop global data warehouse in 1997, EFT implementation, web-site.	Migrate to client server platform with appropriate software and hardware changes
Implementing SAP/R3 over next 4 years	Migrating to Oracle Application Software (1997-1998) as a Centerpiece Business system to implement a common procurement system for all entities; moving toward Internet-based, secured server as common platform to interface with suppliers, perform transactions
Installation of a client-server-architecture; stressed use of EDI	Migration to data warehouse and SAP software
Installation of Oracle based order-to-pay systems	More ERP systems
Installation of the SAP-System	More to client server purchasing system
Installing a SAP or J.D. Edwards client server system in half year	Move to SAP Purchasing module in next two years
Installing SAP across the corporation	Move to SAP, electronic catalog, EFT, manage knowledge
Installing SAP R3 on 1-4-97	Moving from mainframe to real-time client-service based system
Integrate purchasing w/ engineering requisitioning routines through network client/server interface	Moving to LAN-PC based system with real time features; EDI/EFT will follow implementation
Integrated logistics, data warehouse sourcing	MRO purchasing, MRP
Integrated manufacturing management system, manufacturing downtime due to supply	MRP, EDI and barcoding
Integrated Nolylier wide intranet	New ERP systems
Internet	New MRP-system; new supplier controlling and EDI
	New total package 12-18 months

Figure 5-6

Planned Implementation of Systems Supporting Purchasing and Supply Management (continued)

New upgraded manufacturing/financial/order entry package which will be implemented as is at all locations. Online catalogue; order creation with standards use encouraged; electronic requisition to vendor check (EFT)	SAP/R3 is partially in place for our exploration and production end of the business and over the next 12-18 months it will be introduced into the refining and marketing side at which time the mainframe purchasing system will be discontinued. Quality workbench package to support our ISO 9000 accreditation due to be installed early 1997
Outsource all to EDS!	SAP/R3 running on a client-server system
Parts catalog, contracting system, Integrated IDE software for supply management	SAP/R3, e-mail
Phase II development of our on-line requisitioning system. Contract development system.	SAP/R3; EDI; data-based vendor rating
Plan to implement client server system for purchasing and A/P	SAP system is being introduced which will hopefully be rolled out to the whole group long term
Presently in the process of implementing J.D. Edwards software for all business process	SAP/R3
PRISM	Set up client/server applications
Project 2000 – privately funded IT system	Standardization of hard/software and utilization of client server technology
Putting in JD Edwards purchasing to replace SAP. Will be an AS-400 platform, same as MRP II	Standardization, implementation of SAP/R3; integration of local and centralized systems
Re-engineering programs linking purchasing logistics to accounts payable	Supplier assessment
Replace CMMS next year (98)	Supplier evaluation
Replace mainframe (too expensive) by PCs	Supplier processing releases through bar code/EDI
Replace order processing systems. Implement contract management system.	Supply market research via internet; exchange of information about prices with connected companies
Replacing entire system next year with newly developed aerospace and defense package	Total replacement of the MRP system (includes “bolt-on” purchasing system)
SAP	Total upgrade planned to either Oracle or SAP
SAP	Universal implementation of SAP/R3
SAP	Universal introduction of SAP/R/3
SAP	Upgrade from SAP/R2 to R3
SAP/R3	Upgrade to SAP/R3
SAP/R3	Upgrade to the SAP system
SAP/R3	Upgrading to new hardware version with possibility of a PC based system
SAP/R3	Video conferencing
SAP/R3	We are in the process of installing Lawson software for all financial systems
SAP/R3	We are looking into a “RR” intranet system
SAP/R3	We plan to go to SAP
SAP/R3	We will be implementing SAP across the corporation by the year 2000
SAP/R3	Worldwide implementation of SAP/R3; worldwide use of lotus notes

6.0 Environmental Issues, Requirements, Constraints Impacting Purchasing and Supply Management

6.1 To What Extent Is Your Purchasing Organization Currently Involved in the Following Thirteen Environmentally-Related Activities or Functions? Additionally, What Is Your Desired Level of Involvement in These Activities/Functions?

Figure 6-1 summarizes the responses to these two questions for all seven countries combined. Figure 6-2 shows a simplified bar chart of the results. (The various columns in Figure 6-1 may be interpreted as described earlier in Figure 2-1.)

The data presented in Figures 6-1 and 6-2 indicate that there is a strong correlation between the “current” and “desired” level-of-involvement items. In addition, about two-thirds of the respondents marked a “desired” 5, 6, or 7 for seven top-ranked activities. Surprisingly, the activities that ranked lowest are activities that one would think would be highly desired for most firms, especially European firms where environmentally-sensitive initiatives such as “design for recycle” and “ISO 14000 environmental certification.”

6.2 For the Same Activities [in Figure 6-1 and 6-2 Above], What are the Individual Results for Each of the Seven Countries? Are There Significant Differences Among the Seven Countries’ Mean Response Scores?

Figures 6-3 and 6-4 present the “current” and “desired” results for each country. Note that while there are several significant differences among some of the seven countries, German firms, in general, have stronger desired involvement than some other countries. This is to be expected because of Germany’s leadership in environmentally-oriented manufacturing.

6.3 What Roles/Responsibilities Should (Should Not) Purchasing Play in Managing Environmentally-Related Activities/Issues?

Verbatim responses to this question are shown in Figure 6-5. Note that these responses are segregated into two groups: Europe and North America. In general, the vast majority of respondents indicated they **should be actively involved** in implementing both their company’s environmental policies and environmental legislation. Included in their desired involvement is providing relevant information, assuring that suppliers are environmentally responsible, and stimulation of the

incorporation of environmental goals into product design.

6.4 As a Follow Up to Question 6.3, What Roles/Responsibilities Do You Believe Purchasing Will Become Engaged In Over the Next 3-5 Years?

Figure 6-6 reports the written responses to this question. Note that these responses are segregated into two groups: Europe and North America. These responses indicate that purchasing will become more involved in environmental issues during the next few years. In scanning these comments, both Europeans and North Americans seem to agree on this prediction.

Summary and Conclusions Regarding Environmental Activities

North America is behind Europe in involving purchasing in environmental activities. However, both continents predict a much heavier involvement over the next few years. Current involvement involves the traditional activities of purchase of hazardous materials, sale of scrap, and other excess materials and capital. However, involvement in the longer-range issues of design for recycling, design for conservation of materials, and ISO 14000 certification are lower on the list of things being done, and the list of things that respondents believe should be done.

Figure 6-1
Environmental Issues, Requirements, Constraints Impacting Purchasing and Supply Management
All Seven Countries

	Current Involvement					Desired Involvement						
	Rank	Mean Score	Number of Responses	Percent 5,6,7	Percent 7	Rank	Mean Score	Number of Responses	Percent 5,6,7	Percent 7	Gap	Difference
Purchase of hazardous materials/chemicals/equipment	1	4.67	323	60.7%	23.5%	1	5.25	260	71.9%	33.5%	12.6%	***
Sale of scrap and used materials	2	4.61	319	57.4%	23.8%	3	5.12	256	66.8%	32.4%	10.9%	**
Investment recovery (sale) of excess inventories/materials	3	4.54	319	56.4%	25.7%	2	5.18	256	69.1%	34.0%	14.2%	***
Sale of excess capital equipment	4	4.23	318	47.5%	19.5%	5	4.98	257	63.4%	31.9%	17.8%	***
Disposal of hazardous materials/chemicals/equipment	5	4.11	323	47.4%	20.1%	7	4.81	262	63.7%	26.7%	17.0%	***
Collaboration with suppliers to provide materials, equipment, parts, services that support environmental goals	6	3.78	321	37.7%	7.5%	4	5.11	264	70.1%	20.1%	35.0%	***
Provide design spec to suppliers that include environmental requirements for purchased items	7	3.76	320	40.3%	8.8%	6	4.88	261	65.1%	20.3%	29.9%	***
Company-wide environmental audits	8	3.08	320	25.9%	10.6%	8	4.31	255	50.6%	16.9%	40.0%	***
Design of products for reduced consumption of material/energy	9	3.07	318	24.5%	6.0%	12	3.94	256	47.3%	11.3%	28.4%	***
Design of products to avoid or reduce use of hazardous material in products and/or their manufacturing processes	10	2.95	316	23.4%	5.4%	10	4.01	259	45.9%	14.3%	35.9%	***
Design of products for re-use, recycle, recovery of materials, components, parts	11	2.85	319	21.0%	3.8%	11	3.98	258	47.7%	12.4%	39.5%	***
Environmental audits of suppliers	12	2.50	317	17.7%	4.1%	9	4.14	260	48.1%	11.5%	65.4%	***
ISO 14000 environmental certification	13	2.26	300	14.7%	3.0%	13	3.83	244	40.6%	12.3%	69.1%	***

*p<0.05

**p<0.01

***p<0.001

Figure 6-2
Environmental Issues, Requirements, Constraints Impacting Purchasing and Supply Management
All Seven Countries

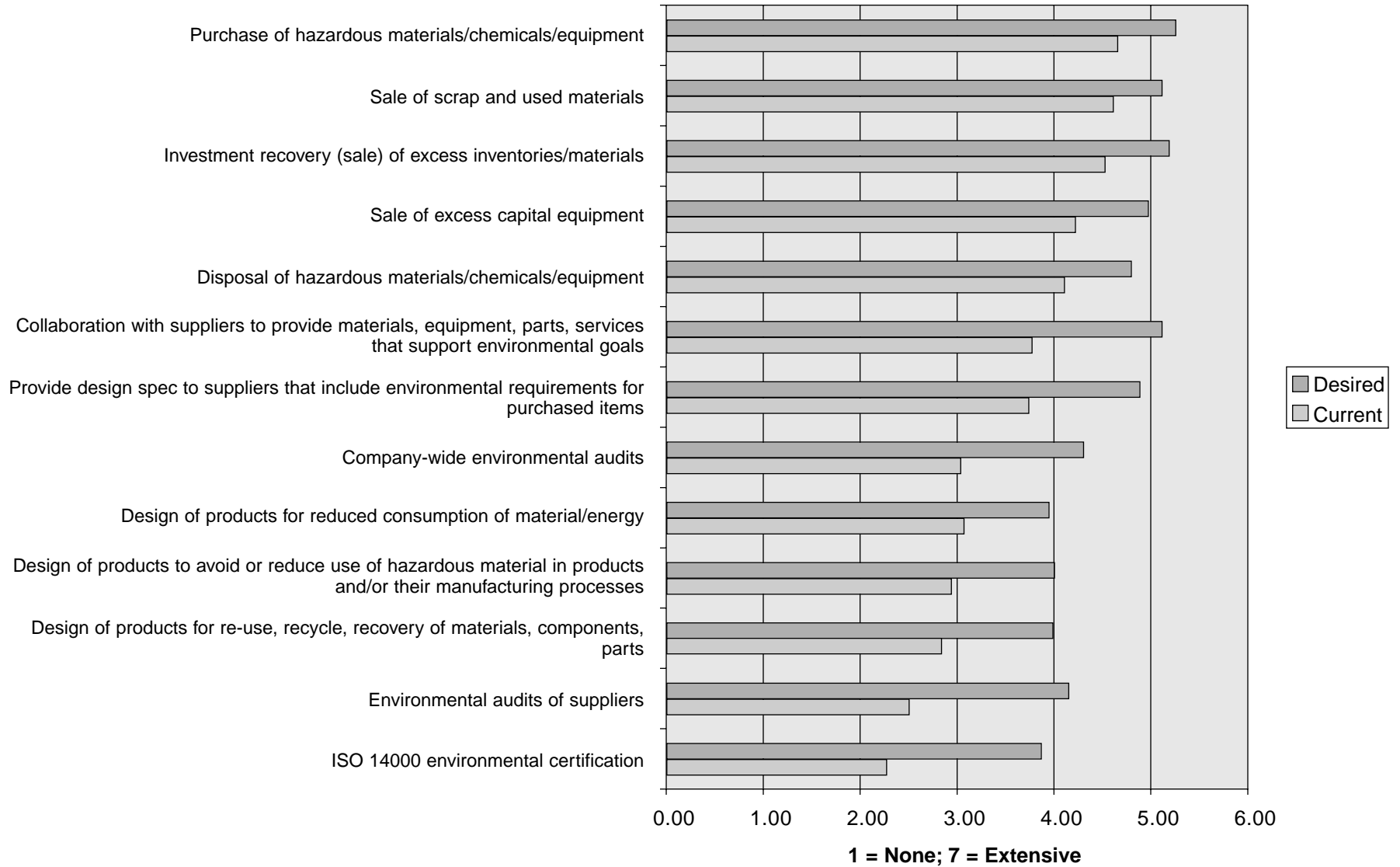


Figure 6-3
Environmental Issues, Requirements, and Constraints Impacting Purchasing and Supply Management

Current Involvement
(Comparison of Mean Scores for All Seven Countries, Sorted from Largest to Smallest Overall Mean Scores)

Activity	Rank	All	Belgium	Canada	France	Germany	Hungary	United Kingdom	United States	Significant Differences (p<0.05)
Purchase of hazardous materials/chemicals/equipment	1	4.67	4.67	5.29	4.00	4.49	4.30	3.98	5.18	
Sale of scrap and used materials	2	4.61	4.10	4.79	4.09	5.08	4.76	3.24	5.15	UK<G,US
Investment recovery (sale) of excess inventories/materials	3	4.54	4.48	4.50	3.48	5.27	4.46	3.23	5.16	UK<G,US; F<G
Sale of excess capital equipment	4	4.23	3.81	4.64	3.13	4.85	3.66	3.06	4.95	FUK<G,US
Disposal of hazardous materials/chemicals/equipment	5	4.11	4.19	4.15	3.67	4.61	3.26	3.53	4.62	
Collaboration with suppliers to provide materials, equipment, parts, services that support environmental goals	6	3.78	3.43	4.00	3.17	3.88	3.89	2.89	4.27	
Provide design spec to suppliers that include environmental requirements for purchased items	7	3.76	3.43	3.43	3.96	3.96	3.80	3.17	4.09	
Company-wide environmental audits	8	3.08	2.52	3.38	2.75	2.78	3.00	3.30	3.23	
Design of products for reduced consumption of material/energy	9	3.07	2.95	2.44	2.88	3.55	4.27	3.04	2.60	C,US<H
Design of products to avoid or reduce use of hazardous material in products and/or their manufacturing processes	10	2.95	2.57	2.73	2.83	3.71	3.44	2.78	2.62	
Design of products for re-use, recycle, recovery of materials, components, parts	11	2.85	2.86	2.83	2.63	3.51	2.87	2.70	2.64	
Environmental audits of suppliers	12	2.50	2.62	2.05	2.25	2.50	2.40	2.57	2.76	
ISO 14000 environmental certification	13	2.26	2.14	1.82	2.92	2.54	2.24	2.13	2.24	

Figure 6-4
Environmental Issues, Requirements, and Constraints Impacting Purchasing and Supply Management

Desired Involvement
(Comparison of Mean Scores for All Seven Countries, Sorted from Largest to Smallest Overall Mean Scores)

Activity	Rank	All	Belgium	Canada	France	Germany	Hungary	United Kingdom	United States	Significant Differences (p<0.05)
Purchase of hazardous materials/chemicals/equipment	1	5.25	5.10	5.97	5.06	5.33	4.60	4.56	5.51	
Investment recovery (sale) of excess inventories/materials	2	5.18	5.00	5.83	4.43	5.69	4.82	4.07	5.51	
Sale of scrap and used materials	3	5.12	4.23	5.69	4.86	5.51	4.70	4.33	5.40	
Collaboration with suppliers to provide materials, equipment, parts, services that support environmental goals	4	5.11	4.62	5.66	5.00	5.17	4.96	4.93	5.11	
Sale of excess capital equipment	5	4.98	4.33	5.68	4.27	5.33	3.64	4.55	5.41	H<C
Provide design spec to suppliers that include environmental requirements for purchased items	6	4.88	4.38	4.57	5.36	5.23	5.04	4.74	4.92	
Disposal of hazardous materials/chemicals/equipment	7	4.81	4.90	5.11	5.25	5.30	3.33	4.27	4.99	H<FG
Company-wide environmental audits	8	4.31	3.60	4.51	4.57	4.45	4.67	4.88	3.92	
Environmental audits of suppliers	9	4.14	3.90	4.49	4.86	4.36	3.38	4.45	3.88	
Design of products to avoid or reduce use of hazardous material in products and/or their manufacturing processes	10	4.01	3.95	3.75	3.67	5.12	4.77	3.83	3.54	
Design of products for re-use, recycle, recovery of materials, components, parts	11	3.98	3.86	4.00	3.71	5.28	3.52	4.05	3.46	
Design of products for reduced consumption of material/energy	12	3.94	4.10	3.71	3.29	4.62	4.60	4.25	3.46	
ISO 14000 environmental certification	13	3.83	3.38	3.78	4.71	4.38	3.86	4.18	3.35	

Figure 6-5
Role Purchasing Should/Should Not Play in Environmental Issues

Europe
A proactive role in conjunction with designers
Active and organizing role
Advising function in using chemicals
Agenda 21 (earth rid summit outcome in the U.K.) will require greater consideration of environmental issues in purchasing decisions
All buying staff should be aware and ensure our suppliers are in high-risk categories. Particular care must be taken and suppliers who are environmentally unaware are at a significant disadvantage.
At least on advisory grounds, since the purchasing activity is a coherent combination of ideals and a certain reality
Audit suppliers and communicating the policy towards suppliers to avoid future problems
Being well-informed about environmental constraints; will take into charge specific purchases of the other departments within the enterprise
By using the technical competencies of specialists in environmental problems. Minimizing the cost linked to environmental problems.
Certificate OKO-TEX
Change specifications, question suppliers concerning the environment
Closer cooperation between purchasing and environmental management functions
Comply with regulation
Considering environmental issues in supplier selection
Consulting function
Consulting in aspects of material; selection of serious suppliers and waste management service companies; negotiating contracts; keep security database up to date
Cooperate with production and sales
Cooperation with R&D
Decrease the ratio of hazardous materials
Early involvement of procurement enables selection of environmental friendly materials
Environmental concerns should be part of the specification of bids and supplier selection
Environmental guidelines must be predefined by law and carried out by responsible consumers within the company
Environmental guidelines should be taken into account
Environmental issues are of major importance
Environmentally sensitive products / processes largely set by customers
Establishing guidelines for R&D for use of environmental friendly materials
Evaluations / audits of suppliers
Finding environmentally friendly goods
Functions: corporate risk management, purchasing, logistics, insurance, recycling, refuse disposal
Give preference to environmental friendly products
Government purchasing should be setting an example for social reasons
Handled by another department
Has been delegated to environmental department
If we wish suppliers to take environmental responsibility we should take the lead
Increased involvement in environmental issues
Influencing role

Figure 6-5
Role Purchasing Should/Should Not Play in Environmental Issues (continued)

Information and follow-up on the level of purchasing contracts or maintenance
Information to R&D
Integration in all procurement processes / services
Integration into corporate planning
Introduce new technologies to avoid environmental damages; environmental audits
Involvement of value engineering of purchasing to reduce waste and aid recycling
ISO 14000 certification
It has to meet the regulations
It should be important, but now costs are of major importance
It should be to purchase environmental friendly materials
Joint between company's demands and restrictive laws
Keeping the regulations
Law enforcement only—not qualified to work any other decision
Legislation becomes more and more complex; safety-manager is responsible, support by purchasing
Like other government departments, we have an environmental policy, but this could be more actively promoted
Little to average
Main focus is on procurement of materials according to environmental standards
Managing the supply base and the company's consequent exposure to environmental concerns
Mediator between suppliers and internal functions
Minor role, other functions are more involved than procurement
More active
More important
Need to play a major role—a focal point
Negotiations of contracts with waste disposal companies
No real environmental problems. No need to.
Not to buy hazardous materials at all
Optimization of use of scarce resources. Insistence of moving to alternative resources
Partnership with the quality department
Providing information
Purchase more environmental friendly products
Purchasers should not be making environmental judgements without proper training and adequate information
Purchases should be as environmentally friendly as possible, hence active involvement with manufacturers to reduce waste, increase recycled use/ material
Purchasing and supply management should work closely with other departments to draw up a comprehensive set of procedures to address these issues
Purchasing can arrange contracts concerning reverse logistics
Purchasing environmental friendly products
Purchasing has to be informed, but is not responsible
Purchasing has to pass the environmental concern to the small suppliers. However, the global economy causes a dilemma.
Purchasing is already playing a major role in this, a company wide initiative
Purchasing is involved too late in projects
Purchasing less amount of hazardous materials
Purchasing management should be involved in all decisions concerning environmental aspects

Figure 6-5
Role Purchasing Should/Should Not Play in Environmental Issues (continued)

Purchasing should assess the cradle to grave costs including disposal costs (chemicals) and use this in procurement decisions. And ensure conformity to corporate environmental policy.
Purchasing should assist in the development and ensure its delivery via vendor base
Purchasing should be involved in all aspects of the relation with suppliers
Purchasing should be involved in every purchase where it can add value
Purchasing should be not involved. Experts in environmental issues must draw up directives - management must be held responsible for realization.
Purchasing should be pivotal in deciding the choice of suppliers on environmentally cost effective products
Purchasing should ensure that vendors comply with government environmental regulations
Purchasing should have a support role to properly think through corporate initiatives
Purchasing should have full involvement where the environment issue has a financial or regulatory impact on the purchase. No one should be involved otherwise.
Purchasing should support its internal customers
Reduce the amount of hazardous materials
Represent the company's wishes and demands regarding environmental issues to suppliers
Review of ways of regarding environmental issues in analysis of life-cycle costs
Selection of environmental friendly products
Selection of environmentally beneficial suppliers; preference for them in cases of equal costs/prices
Should play an active part
Should promote environmentally—friendly business where it represents a means of reducing costs. Should emphasize environmental credentials as a commercial asset—appealing to customers.
Should select suppliers with the right fit based on environmental policies
Should, otherwise the Green Party and opinion poll will start raising queries. Consequently, products made will not be suitable for sale, then what's the point of investments in those products and services.
Sourcing reusable and environmental friendly materials
Supplier selection
The environmental constraint is still not very high in our activity sector. The purchasing department does not intervene any longer in the recycling contracts with legally recognized establishments.
The involvement of the procurement management should of be reinforced
There should be a further integration of the external
To buy only from environmentally sound sources
To define clearly the constraints linked to the company is suppliers and to their products, and to adapt the necessary schemes for improvements
To find solutions which are environmental friendly and cost effective at the same time
To play a complementary role with suppliers to ensure environmental issues are considered in writing specifications for products and services
Tracking developments within the company providing information
Trade with environmentally aware suppliers comply with legal requirements, social desires, trends
Try to use environmentally friendly products
Unified effort to comply with an agreed European global mandate for an enhanced protected environment
Use of environmentally friendly goods
We are supporting moves to involve purchasing with environmental matters both in terms of incorporating environmental standards into vendor selection process but also in supporting operating departments who are going for ISO 14000, etc.

Figure 6-5
Role Purchasing Should/Should Not Play in Environmental Issues (continued)

We should be seeking to encourage an environmentally friendly policy and be prepared to support proactive suppliers by paying any reasonable premium
We should communicate and encourage supply base conformance
With 19+ new legislation acts coming through in 1997 all procurement people should start to be involved
Worthy environmental aims must be balanced with economic sense, but purchasing will continue to encourage and promote good environmental practices by suppliers
North America
Active in all supplier issues/management in this area
Active leadership role demanding contractual performance for company goals
Adhere to packing supplies specs to maximize recycling and minimize trash
Any involvement with suppliers should be part of or report to purchasing
Area changes too quick for purchasing to stay fully conversant. Dedicated technical personnel should always be available to support procurement activity.
As a financial services company environmental issues primarily center around recycling of paper and asset disposal
As it relates to acquisition issues and performance to requirements to achieve satisfaction
Assure that suppliers are in EPA compliance
Balanced
Be involved to the extent necessary so that EPA requirements are fulfilled
Between reclamation, environmental and purchasing, there should be equal participation to manage these issues
Coordinate internal-supplier collaboration
Coordination of purchases as team member
Depends on the industry
Distribution of knowledge of products to users; monitoring of hazardous products being purchased and the identification of substitutes
Ensure standards of products used and the suppliers they are purchased from
Ensure suppliers know requirements are important & potential "showstopper" if ignored
Environmental department is better trained/equipped to handle these issues. Purchasing should play a support role for contractual and/or logistical issues.
Environmental issues are a company issue, not a purchasing issue. Must be considered as such. We are part of a solution, not the solution.
Given the low level of environmental issues related to our business, we do not outlook major changes
Greater role in order to keep costs in control
Guidelines should be supplied by facilities engineering and followed by purchasing
Have studied the issue-procurement should not act alone but be part of integrated co-wide program
If environment is an issue with the products purchased then this must be part of the supplier spec and purchasing must see that the spec is met
In our decentralized environment it is the responsibility of each business unit to manage environmental issues continuously
In supply management, all forms of manufacturing, production, product stewardship and responsibility fall into one. Purchasing is one of the sole services of the company to ensure that long-term liability is held to a minimum. With all environmental work, different forms of labor are used. Rates, terms, condition, and insurance must be negotiated by purchasing and incorporated into a legal document for work authorization. This reduces the liability to the company and creates a mechanism to measure the performance of the contractor/consultant.

Figure 6-5
Role Purchasing Should/Should Not Play in Environmental Issues (continued)

Integral importance
Involvement in whatever control/management needed to assure supplier compliance with co/government requirements
Involvement to the extent that a supplier is not shut down due to an environmental issue
Manage environmentally related aspects applicable to materials and equipment
Managing corporate goals and objectives
More active participation in supplier selection, lower cost alternatives
More up front involvement is critical. Resources have been and will continue to be the major issue. Investment recovery is a separate function outside of purchasing but works well as it is set up.
Most of this role rests in other departments with full support of purchasing department
Must be trained to have knowledge on the environmental effects of what they are buying
Need cross-functional teams consisting of EHSA, purchasing and law department related to commercial agreements for the disposal of industrial wastes
Not a real factor in our company
Not really sure. In a public environment, environmental issues are difficult to deal with
Our emphasis is environmental compliance internally and therefore we focus on acquiring materials and services that enable us to meet regulations. To the extent our needs can not be met by our suppliers we will work with them to do so. We also focus on education on environmental affairs and attempt to correct misinformation.
Our role should be directly related to the suppliers, ensuring total conformance in accordance with corporate goals
Partner with other internal organization to spec/manage/dispose of materials and manage documentation
Primarily business unit role. Purchasing should play supporting role.
Procurement should play a fully active role in the strategy, goal setting and communication of environmentally related activities. It should not play role of inspecting supplier facilities. Supplier assurance of compliance should be sufficient.
Provide leadership and leverage to require cradle to grave activity by suppliers
Provide strategy; assist in implementation; provide training, development and resources; coordinate activities across departmental lines
Providing options that take environmental issues into consideration; and provide economic impact assessment, but should not get too far into environmental assessment and recommendations. Be part of an evaluation team.
Purchasing and supply management should be responsible for negotiating with suppliers the necessary terms and conditions to ensure that all of the environmental issues are properly addressed. The company is held accountable for using, handling, and disposing of materials it buys from suppliers which affects the environment. The inclusions of environmental and liability insurance clauses in contracts is the responsibility of the purchasing and legal group.
Purchasing and supply management should play a role in managing environmentally related activity issues in order to keep the environment clean and to avoid large liabilities
Purchasing and supply management should support environmental activities and participate as a cross-functional team member as required in such activities
Purchasing cannot do it on their own-we need to team up with operations and regulatory compliance personnel to insure environmental compliance
Purchasing has 1st line interface with supplier of materials-therefore should be knowledgeable enough to facilitate interface with internal expertise
Purchasing is the communication channel to supply base. If supplier environmental issues jeopardize supply, or capacity, they should be involved.
Purchasing must be involved with environmental audit of supplier and products to ensure sustainable developments
Purchasing must ensure that suppliers and the materials supplied are as environmentally friendly as feasible
Purchasing outlines environmental requirements in contracts; purchasing should participate in supplier audits
Purchasing plays a key role and significantly influences corporate environmental management

Figure 6-5
Role Purchasing Should/Should Not Play in Environmental Issues (continued)

Purchasing should always be a part of cross-functional procurement teams for environmental activities. These teams are almost always the most efficient method for procurement.
Purchasing should be a key player on all teams and should be the lead person when contacting outside sources for negotiations of contracts where their expertise resides
Purchasing should be a team member and support program. We have an environmental manager who should be team leader and coordinate program as well as set objectives.
Purchasing should be active in managing environmentally related activities. Support supplier and customer initiatives in this area.
Purchasing should be actively involved in managing environmentally related issues
Purchasing should be actively looking for suppliers who offer an alternative which allows for a more environmentally friendly product without a substantial additional cost
Purchasing should be an advisor so that items being investigated stay within practical solutions. Purchasing has the practicality cost expertise.
Purchasing should be aware of environmental-related issues and verify supplier compliance
Purchasing should be concerned with environmental issues as they are the last people to see the actual purchase and are able to provide input
Purchasing should be heavily involved because we know the marketplace and can work with negotiate with the suppliers for the best environmentally related activities/issues
Purchasing should be involved to the extent that they need to understand how to identify, transport, and warehouse these materials
Purchasing should be involved with these issues/activities to the same extent they are with all others, because it is a corporate requirement
Purchasing should be on a cross-functional team that manages environmentally related issues because of our exposure to the market!
Purchasing should be primary interface with suppliers on environment related issues
Purchasing should be responsible for auditing results and maintaining supplier contact regarding environmental issues, but parameters should be established by engineering
Purchasing should encourage the use of environmentally safe products/materials, where practical
Purchasing should ensure that product sourcing and distribution are handled in accordance with federal, state, and local requirements via the direction of our environmental compliance department
Purchasing should ensure that suppliers are in compliance with regulations to protect the environment and its liabilities
Purchasing should handle contracting for environmental services because of their negotiating expertise. Managing other environmental activities should be handled by an operations function with technical expertise.
Purchasing should insure suppliers do not adversely impact our plants, people or customers
Purchasing should monitor supplier conformance to corporate environmental standards
Purchasing should participate fully. Purchasing should be concerned with life of the product and maintain a "cradle to grave" approach to reduce any hidden costs of cleaning up after closure of a site, etc.
Purchasing should participate in audits with environmental affairs department; it is important that results be shared with suppliers
Purchasing should play a key role in managing environmental issues to limit liability to the organization and protect the environment
Purchasing should play a role in acquiring environmentally friendly products and services, but not to the extent where it controls the company
Purchasing should support the design and facilities staff in structuring contract agreements that address environmental issues and assist in contract enforcement

Figure 6-5
Role Purchasing Should/Should Not Play in Environmental Issues (continued)

Purchasing should work with the business unit managers to jointly set goals and specifications. Purchasing should manage the suppliers.
Responsible to follow government regulations
Should be extensively involved in environmentally related issues at all points in the supply chain because of the extensive contact network and ability to influence outcomes. Also able to contribute substantial acquired knowledge.
Should be involved from a commercial perspective to ensure that all terms/conditions, prices, services, etc. are consistent with expectations/contracts of other service providers/consultants
Should be more involved up-front in the environmental purchasing decision, not just at the back end (disposal)
Should be part of team process
Should be part of the team
Should have a central role related to activities undertaken by others in organization
Should incorporate purchasing/corporate goals, protect corporate assets, interface/communicate with suppliers
Should maintain current knowledge of environmental issues to reduce risk and cost wherever possible
Should not be involved with the "need" specs, but very involved in the solution
Should play an active role and should be part of corporate policy
Should refrain from using hazardous material, inform users of known hazards
Should work with the department(s) involved but a separate department should manage overall environmental issues
Supply management should play supporting role in assuring that products and processes meet environmental standards
Support corporate environmental policy. Supply necessary reporting information.
Support environmental staff
The expertise of purchasing should be utilized in the procurement of products/services. OSHA, DOT, and EPA environmental/hazardous material issues involve the application of complex and ever changing regulations that require a specialized group.
The role of purchasing should be to support the health and safety group
They should be involved in the planning and contracting stage. They should be helping the clients understand the costs of the related services.
To know what is happening; to improve purchases
We are involved with our engine manufacturers in producing vehicle engines to run on land fill gas from our own land fills
We deal extensively with the purchase, shipping and manufacture of hazardous materials. Environmentally related activities are key to our being able to remain in business.
We have a specifically trained team in the corporation environmental, health and safety area that handles this
We have an environmental dept. that would advise or help us in this area
We have an internal separate organization that drives these issues. Therefore, purchasing is seldom involved except to execute directives.
We must become more active to ensure a future for the children of the world
We should be involved. I believe we can play a role in helping suppliers conform to regulations.
We should confirm that suppliers are providing MSDS sheets for materials and be involved in supplier environmental audits
We should leave that to environmental specialists and concentrate on being a procurement specialist
We want our suppliers to follow the same standards we do. Be legal and good citizens.
When environmental issues relate to what we buy or our suppliers, then we must be involved. However, I do not see purchasing as the champion for this issue.
Work closely with operational personnel to develop specifications

Figure 6-6
Environmental Roles that Purchasing Will Become Engaged in Over Next 3-5 years

Europe
A stronger involvement could be expected
Advising and negotiating contracts
As more legislation is implemented the pressure on environmental issues will rise; purchasing will be forced to consider supplier environmental issues
Auditing (according to ISO 9000) will become necessary
Auditing will become more environmental-minded
Carrying out environmental checks on potential suppliers to make sure they are following legislation
Closer junction with the use of non-polluting materials
Company-wide environmental audit
Complex national matters must be considered within the procurement costs
Continued activity in support of ISO 14000 company regards environmental issues as high priority
Control environmental concern
Cooperation will become closer
Could be more important to assess environmental issues
Currently working with purchasing units and environmental management to provide best practice paper for all buying staff to follow
Customers will require us to pay more attention to environmental issue
Decrease the ratio of hazardous materials because of the increasing costs
Develop solutions to avoid waste instead of recycling or destroying it
Disposal of packaging waste due to tougher government legislation
Due to new materials and the problems of their disposal, there must be an agreement between manufacturers and buyers to work together on these problems
Early involvement
Environment gains importance; bigger investments; more support from purchasing necessary
Environment has to become part of discussions concerning quality, logistics, and service
Environmental audits - legal requirement
Environmental concerns will be important in supplier evaluation
Environmental evaluation and management; customer driven initiatives
Environmental impact becoming, gradually, part of all purchasing decisions
Environmental issues will be of major importance. Purchasing has to support this.
Environmental management will continue to evolve and become an increasingly important issue in procurement (external pressures, legislation)
Further involvement in aspects of environmental audits
Greater emphasis on environmental issues generally
I hope purchasing won't be engaged any further
Increase integration
Increase slightly—political pressure driven
Increased cooperation
Increased involvement in recycling
Increased legislation and costs of non-compliance will force purchasing to become more involved in environmental issues
Increased organizational responsibility to manage the procurement of goods in an environmentally friendly manner
Increasing importance of the purchasing function caused by more restrictive laws
Increasing importance, environmental audits will be as important as ISO 9000-audits
Increasing involvement at the disposal of production waste

Figure 6-6

Environmental Roles that Purchasing Will Become Engaged in Over Next 3-5 years (continued)

Increasing involvement due to disposal processes
Increasing involvement due to environmental auditing
Increasing involvement due to increasing legislation
Increasing participation
Integration in the demand-management
Large scale investments are planned in new environmentally friendly technology; purchasing should support this
Law enforcement only
Main focus on life cycle of materials
Meaning of reasonable care will (automatically) increase
Monitoring environmentally friendly disposal of waste products - due to legislative pressures
Monitoring supplier progress toward BS7750 accreditation
More attention to environmental issues
More attention will be paid to these issues because of the fierce competition
More coordination on environmental issues as legislation tightens and new investment will be required
More environmentally friendly products
More focus on environmental issues
More involvement
More responsibility
No change is planned
No major change is expected
No major changes
Only the purchasing dept will be authorized to negotiate purchase contracts and commit funds for goods and services —may delegate responsibility for some goods
Playing a key role in realizing company's commitment to environmental protection. Will have responsibility for ensuring that all suppliers make and realize same commitment.
Providing information
Purchasing becomes a coordinator of all functions of the suppliers
Purchasing could take a strategic role in advising on environmental issues in collaboration with suppliers
Purchasing will take on extra responsibilities for environmental issues and will be required to carry out environmental audits of suppliers
Reduce the amount of hazardous materials
Purchasing function will become the turntable of know-how regarding environmental compatibility of purchased parts
Regulations will be more strict
Restrictions will become more specified
Stronger involvement due to increasing environmental requirements
Stronger involvement due to higher consciousness on environmental aspects
Supplier selection based on safety and environmental issues
Support the introduction of ISO 14000
The minimizing of non-recyclable goods and hazardous substances use
North America
Additional focus on supplier performance which will include more emphasis on safety and environment
An environmental audit will be done for all suppliers
As part of corporate programs

Figure 6-6

Environmental Roles that Purchasing Will Become Engaged in Over Next 3-5 years (continued)

Auditing suppliers to ensure that they are in compliance
Become more involved with methods to reduce risk, in order to minimize fines and penalties
Close involvement with manufacturing
Collaborate with suppliers to meet goals and help meet corporate responsibilities and legislative requirements. We have the most contact with our suppliers.
Continue present course of action
Deeper dependency on procurement to pursue environmentally/socially acceptable suppliers
Do not see much stronger involvement unless re-use and recycling grows in importance
Eliminate any environmentally unfriendly substances from purchased materials.
Engaging consultants to perform studies
Enhanced supply chain management
Environmental audits of purchases, operations and suppliers, due to the large potential liability of mismanagement in this area
Environmental audits of suppliers to assure supplier is stable and will not be closed due to environmental problems
Environmental issues growing and the companies will rely on purchasing to play the role of police
Environmental issues will require purchasing to include new tactics in negotiating contracts and will force us to filter our supply base
Extended environmental requirements in contracts with suppliers
Greater concern and authority/responsibility for environmental issues
Greater involvement in corporate activities and strategy to improve leverage, provide efficiencies, and reduce costs
Greater involvement with accounts payable; product design & strategic planning
Higher profile at the agency in regards to minimizing risks
Purchasing will be positioned to take the lead on the bidding and commercial negotiations. Previously, at least in our company, these have been handled by the environmental department.
I believe purchasing will play a greater role in all non-traditional areas as firms are pressured to increase profits
I believe that the cost of doing business, anywhere, should not include compromising our environment
I don't see a lot changing due to the extensive health, safety and environmental related efforts, and purchasing participation that we have in place now.
I look for regulations to continue to be generated which will mandate increased involvement
If our customers demand we will comply
In the next 3 to 5 years, purchasing's role is to reduce long term liability through consolidation of contractors, consultants, waste sites, and through better safety and health management sources available in the market arena. Make not only plant personnel but management aware of new innovative systems and equipment which will improve the quality of the product, reduce costs, but will improve safety conditions within the plants.
Including sustainable development concepts and requirements into material and services requirements and doing more research and developing abilities to evaluate the criteria related to sustainability
Increased awareness of hazardous materials handling
Increased monitoring
Increased need to develop agreements and assist in setting policy.
Increased responsibility for "supplier management"
Increasing role in management. Stronger voice in value added opportunities.
Involved with outsourcing more core functions and activities
Involvement will increase as more companies introduce ISO 14000
ISO 14000 qualification
ISO 14000 registration, further reductions in sending waste to landfill and recycle where possible
Like computers, this is a specialized area that the people like to keep within their control and have, so far, kept purchasing away from the business

Figure 6-6

Environmental Roles that Purchasing Will Become Engaged in Over Next 3-5 years (continued)

Limiting the use of hazardous materials. Making everyone aware of the hazards and handling procedures.
More involvement as liability exposure continues to rise
More involvement
More involvement as more and more regulations appear
More involvement in asset, especially technology disposal
More involvement in budgeting, strategic planning and purchasing of recyclable materials. Get ready for deregulation.
More of a facilitator to bring external and internal resources to assure environmental responsibility
New product development & technology development with partner suppliers
Over the next 3-5 years we anticipate greater participation in environmental issues
Participation in strategy development, increase compliance responsibility
Purchasing will be forced by legislation to comply with environmental issues rather than voluntary compliance
Purchasing will be more involved because of the cost and regulatory implications of the environment
Purchasing will become more involved in product stewardship, and in support of total waste management
Purchasing will become more involved with the end-users in the purchase of environmentally related materials and services to help insure required level of quality. Expect more inter-discipline teams made up of purchasing and operations personnel.
Purchasing will evolve as a key player in establishing and developing a reliable long term partnering
Purchasing will have to look at the long term cost of a product, including disposal and clean-up as it considers a purchase
Purchasing will take a proactive approach to ensure the suppliers are responsible for the return of used products, packaging, etc.
Purchasing will work hard to increase our role by working with our engineers and being equal team members sourcing/researching these commodities
Purchasing/materials management will need to become more knowledgeable about hazardous materials
Reclaiming scrap and reducing the purchases of hazardous materials
Responsibility will increase. Rate of increase will depend on industry.
Reverse engineering, reuse, recycling, and recovery of materials
Role of the purchasing professional will be expanded
Role will remain stable
Cross-functional team approach with purchasing monitoring costs
Should environmental laws expand, purchasing will become more involved in the disposal of hazardous materials
Still needs to be resolved as an organizational issue. Company direction is pretty clear but the resource issue needs to be resolved.
Strategic integration with all participants in supply chain to ensure compliance (e.g. with ISO-14000)
Supplier audits, internal audits, benchmarking, continuous improvement
Supplier development
The purchasing department will continue to support environmentally related activities and reduce use of hazardous materials
There will be more contracting for the disposal of industrial wastes and purchasing will be involved with those contracts
We have a strong environmental control group. Our activities will be primarily support.
The issues surrounding the environment and how to protect it will continue to receive more and more attention by individuals, by pressure groups, and by the federal, state, and local governments
Will become more involved due to front line contact. Work needs to be done on MSDS sheets immediately
Will become more involved in the total life cycle of the products purchased (recycling/reuse/reclamation)
Will become responsible to acquire environmentally friendly products as is specified by legislation
Will increase their involvement 300%
Working closely with design/engineering/suppliers to minimize total net environmental impact

7.0 Global Procurement Strategies, Opportunities, Constraints

7.1 To What Extent Is Your Purchasing Organization Currently Involved in the Following Seven Global Sourcing Activities or Functions? Additionally, What Is Your Desired Level of Involvement in These Activities/Functions?

Figure 7-1 summarizes the responses to these two questions for all seven countries combined. Figure 7-2 shows a simplified bar chart of the results. The various columns in Figure 7-1 may be interpreted as described earlier in Figure 2-1.

In viewing Figures 7-1 and 7-2 it can be seen that there is strong drop off in both current and desired involvement with the items ranked 5th, 6th, and 7th. The first four activities are traditional functions, while items ranked 5th and 6th are handled by others such as finance. The last-ranked item (use of IPOs) does not seem to be widely used, nor desired.

7.2 For the Same Activities [in Figure 7-1 and 7-2 Above], What are the Individual Results for Each of the Seven Countries? Are There Significant Differences Among the Seven Countries' Mean Response Scores?

Figures 7-3 and 7-4 presents the “current” and “desired” results for each country. The results here are similar to the “all countries combined” data, except for a few significant differences where German and Belgian firms are more active than other country respondents.

7.3 How are Your Global Purchases Managed?

Figure 7-5 summarizes the responses by country. About half of the responding firms manage their international purchases centrally from their domestic locations. In addition, another third manage them from a mix of centralized and decentralized organizational structures. Finally, as indicated in Figure 7-3, the use of independent purchasing organizations (IPOs) is rare, except for Hungarian firms.

7.4 What Is Your Company's Experience (Positive, Negative) in the Following Global Sourcing Areas?

Figures 7-6 and 7-7 summarize the results. Figure 7-8 compares the responses by country. Other than “ethics” the scores for all items are slightly positive, and only two items (availability of qualified expatriates and countertrade

requirements) are slightly negative (less than 4, the scale's midpoint). As for differences between countries, Hungarian respondents, were more positive on several items than were some other countries.

7.5 In General, What Role Should Purchasing and Supply Management Organizations Play in International Sourcing Activities?

Figure 7-9 documents the respondents' verbatim responses, grouped by European and North American firms. In general, both groups see no let up in the increasing activity and importance of global sourcing activities.

Summary and Conclusions For Global Sourcing

Global sourcing is, and will continue to be, an important strategic function for purchasing and supply management. As the world gets “smaller” and communication and logistics systems improve, more and more professional activity will be consumed by this important function.

Figure 7-1
International Sourcing Activities or Functions
All Seven Countries

	Current Involvement					Desired Involvement						
	Rank	Mean Score	Number of Responses	Percent 5,6,7	Percent 7	Rank	Mean Score	Number of Responses	Percent 5,6,7	Percent 7	Gap Percent	Difference
Purchase of goods & services from other countries	1	4.59	324	55.9%	17.9%	2	5.43	264	75.4%	30.3%	18.4%	***
Selection of foreign suppliers	2	4.46	319	54.2%	17.6%	1	5.45	267	74.9%	30.3%	22.2%	***
Management of foreign suppliers	3	4.39	319	52.7%	17.6%	3	5.36	265	74.0%	31.3%	22.2%	***
Identification of potential foreign suppliers	4	4.33	319	51.4%	14.7%	4	5.33	264	72.3%	28.8%	23.1%	***
Managing currency fluctuation strategies (hedging, etc.)	5	2.78	319	19.1%	5.6%	5	3.90	266	41.0%	13.5%	40.2%	***
Countertrade activities (offsets, barter, local content requirements)	6	2.18	308	11.4%	4.5%	6	2.97	245	23.7%	9.0%	36.4%	***
Use of independent, third party "IPOs" (International Purchasing Office) in foreign countries	7	1.95	317	8.5%	2.5%	7	2.75	255	16.5%	6.7%	40.8%	***

*p<0.05

**p<0.01

***p<0.001

Figure 7-2
International Sourcing Activities or Functions
All Countries

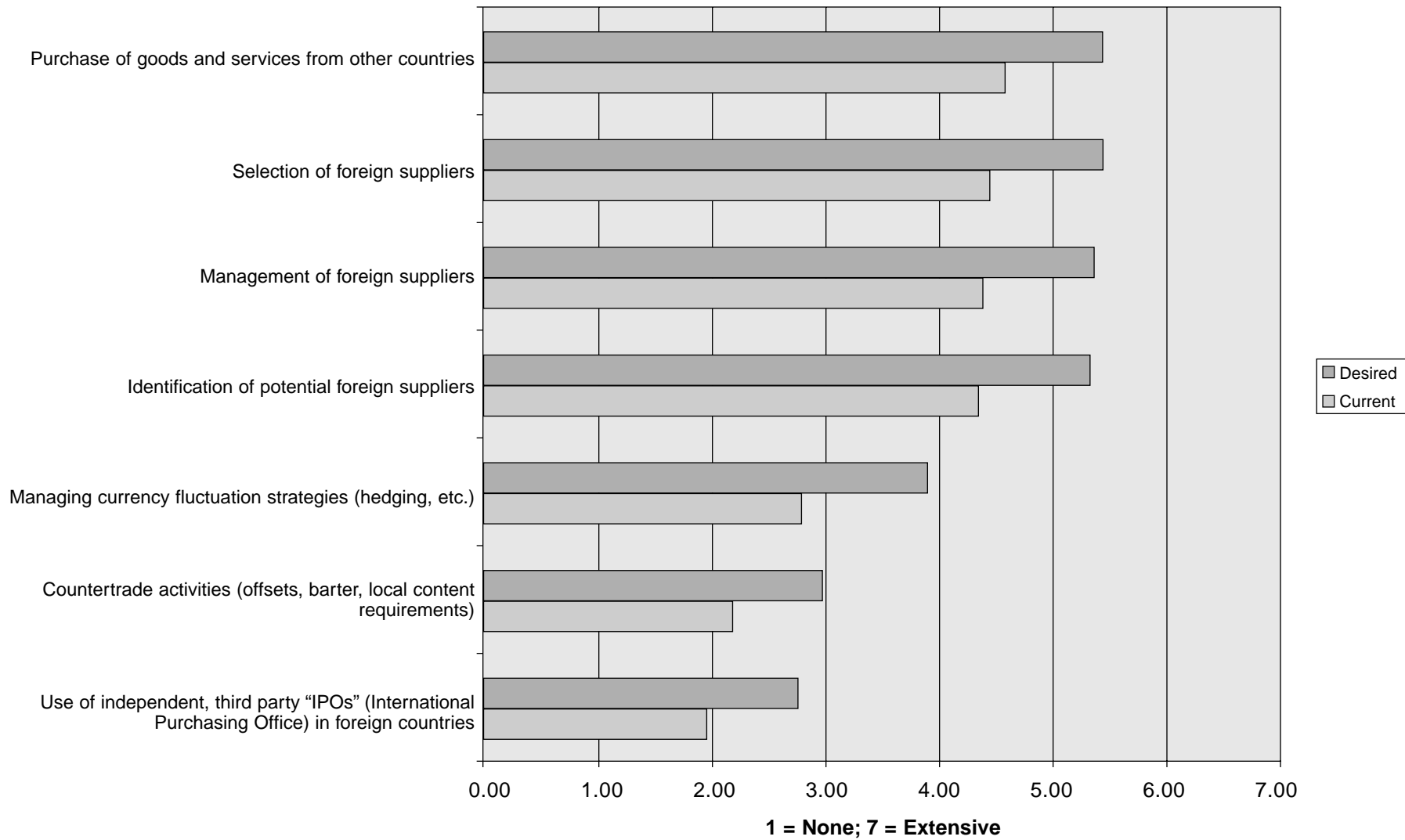


Figure 7-3
International Sourcing Activities or Functions

Current Involvement

(Comparison of Mean Scores for All Seven Countries, Sorted from Largest to Smallest Overall Mean Scores)

Activity	Rank	All	Belgium	Canada	France	Germany	Hungary	United Kingdom	United States	Significant Differences (p<0.05)
Purchase of goods & services from other countries	1	4.59	5.43	3.73	4.86	4.72	4.04	4.88	4.74	C<B
Selection of foreign suppliers	2	4.46	5.00	3.40	4.68	4.81	4.29	4.64	4.50	C<B
Management of foreign suppliers	3	4.39	4.56	3.40	4.53	4.54	4.66	4.60	4.61	
Identification of potential foreign suppliers	4	4.33	4.78	3.00	4.57	4.90	4.20	4.31	4.67	C<B,E,G
Managing currency fluctuation strategies (hedging, etc.)	5	2.78	1.83	1.95	2.93	4.16	2.75	2.63	2.67	B,C,UK,US<G
Countertrade activities (offsets, barter, local content requirements)	6	2.18	1.52	1.90	1.56	3.04	1.42	2.19	2.53	B,EH<G
Use of independent, third party "IPOs" (International Purchasing Office) in foreign countries	7	1.95	1.87	1.27	1.64	2.23	3.00	1.86	1.74	C,F,US<H

Figure 7-4
International Sourcing Activities or Functions

Desired Involvement
(Comparison of Mean Scores for All Seven Countries, Sorted from Largest to Smallest Overall Mean Scores)

Activity	Rank	All	Belgium	Canada	France	Germany	Hungary	United Kingdom	United States	Significant Differences (p<0.05)
Selection of foreign suppliers	1	5.45	5.68	4.59	5.80	5.88	5.15	5.61	5.40	
Purchase of goods & services from other countries	2	5.43	5.91	4.72	5.58	5.84	4.42	5.72	5.49	H<B,G
Management of foreign suppliers	3	5.36	5.41	4.67	5.37	5.62	5.62	5.53	5.33	
Identification of potential foreign suppliers	4	5.33	5.38	4.28	5.68	5.91	5.04	5.47	5.35	C<G
Managing currency fluctuation strategies (hedging, etc.)	5	3.90	2.73	3.47	3.23	4.98	4.55	4.25	3.64	B<G,H
Countertrade activities (offsets, barter, local content requirements)	6	2.97	2.35	2.82	1.94	3.37	1.54	3.23	3.49	H<US
Use of independent, third party "IPOs" (International Purchasing Office) in foreign countries	7	2.75	2.52	2.21	2.30	3.26	2.37	3.34	2.71	

Figure 7-5
Global Purchasing Management Processes (Percent indicating "yes")

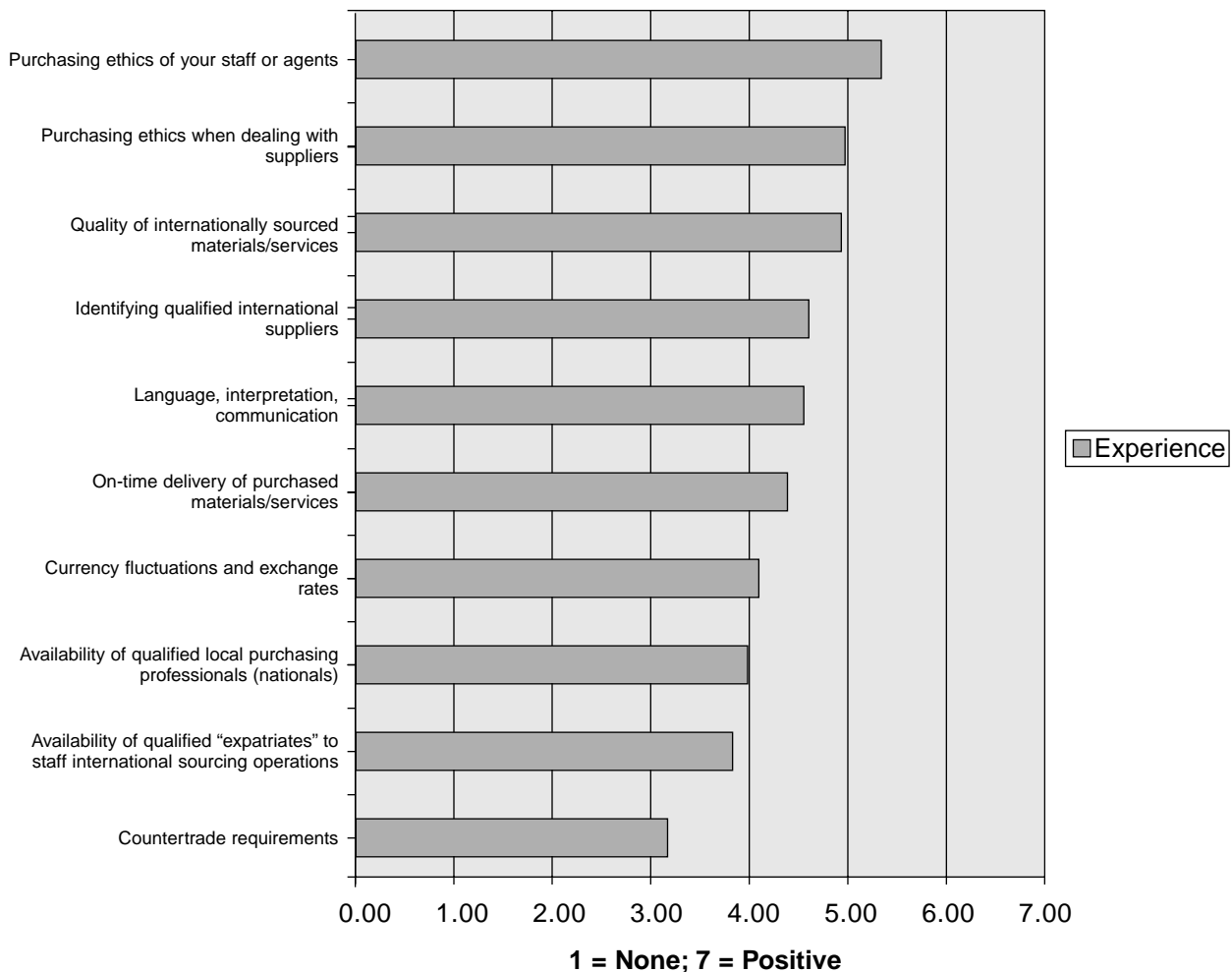
	BELGIUM	CANADA	FRANCE	GERMANY	HUNGARY	U. K.	U.S	ALL COUNTRIES
Centralized, by our domestic purchasing organization	43%	32%	75%	58%	64%	16%	48%	48%
Decentralized, by foreign-based company purchasing organization	23%	11%	14%	14%	9%	10%	23%	16%
Decentralized, by foreign-based independent purchasing offices (IPOs)	0%	3%	0%	7%	20%	6%	6%	6%
Some mix of centralized and decentralized purchasing	64%	35%	11%	33%	18%	14%	49%	32%
Other global purchasing organizational structures	9%	11%	4%	9%	16%	4%	12%	9%

Figure 7-6
Experience in International Sourcing
All Seven Countries

	Rank	Mean Score	Number of Responses	Percent 5,6,7	Percent 7
Purchasing ethics of your staff or agents	1	5.33	279	73.1%	17.9%
Purchasing ethics when dealing with suppliers	2	4.93	280	61.8%	9.3%
Quality of internationally sourced materials/services	3	4.91	287	68.6%	7.7%
Identifying qualified international suppliers	4	4.61	285	55.1%	7.7%
Language, interpretation, communication	5	4.56	288	56.3%	5.9%
On-time delivery of purchased materials/services	6	4.42	287	48.1%	6.6%
Currency fluctuations and exchange rates	7	4.10	281	33.8%	2.1%
Availability of qualified local purchasing professionals (nationals)	8	4.02	253	34.4%	2.8%
Availability of qualified "expatriates" to staff international sourcing operations	9	3.83	240	32.1%	5.4%
Countertrade requirements	10	3.16	193	13.0%	1.0%

1 = Negative; 7 = Positive

Figure 7-7
Experience in International Sourcing Areas
All Seven Countries



**Figure 7-8
Experience in International Sourcing**

(Comparison of Mean Scores for All Seven Countries, Sorted from Largest to Smallest Overall Mean Scores)

Activity	Rank	All	Belgium	Canada	France	Germany	Hungary	United Kingdom	United States	Significant Differences (p<0.05)
Purchasing ethics of your staff or agents	1	5.33	5.68	5.24	5.43	4.63	5.77	4.78	5.59	G<H
Purchasing ethics when dealing with suppliers	2	4.93	5.45	4.64	4.86	4.45	5.23	4.58	4.99	G<H
Quality of internationally sourced materials/services	3	4.91	5.04	4.78	4.96	4.44	5.67	4.45	5.00	G,UK<H
Identifying qualified international suppliers	4	4.61	4.68	4.19	4.14	4.48	5.28	4.47	4.70	
Language, interpretation, communication	5	4.56	5.14	4.67	4.61	4.19	4.84	4.22	4.56	
On-time delivery of purchased materials/services	6	4.42	4.00	4.00	4.48	4.23	5.30	3.87	4.57	B,C,UK<H
Currency fluctuations and exchange rates	7	4.10	4.32	4.13	4.35	4.20	3.83	3.90	4.12	
Availability of qualified local purchasing professionals (nationals)	8	4.02	4.20	3.97	3.47	4.04	4.38	3.47	4.13	
Availability of qualified "expatriates" to staff international sourcing operations	9	3.83	3.23	3.34	3.93	3.73	4.60	3.15	4.04	
Countertrade requirements	10	3.16	2.85	3.14	3.31	3.39	2.45	2.84	3.45	

Figure 7-9
General Strategy Purchasing and Supply Management Organization Should Play
in Managing International Sourcing Activities

Europe
Accumulation of world-wide market know-how; use of the global network for purchasing at lowest prices
Building long-term relationships
Centralization for the whole group/companies
Contact the suppliers directly, increase reliability of supply by developing partnerships
Cooperation with all-round suppliers; balanced roles of the active suppliers; cooperation with producers (not distributors); global sourcing with focus on Asia, USA, Eastern Europe; European Union = home market
Develop long-term relationships for strategic suppliers
Education, information on markets-more efficient operations
European supply markets will gain importance
Evaluation of suppliers in order to reduce the amount of international purchases
Focus on coordinated purchases for common products
Global sourcing is an important target for the division
Global sourcing is often abused as a slogan. It is better to look up and down and analyze all costs in the supply chain.
Global sourcing will become more intense
High quality and cheaper products should be purchased internationally
Increase of importance; realization through global purchasing network and purchasing offices in specific supply markets
Increase the volume of purchases in Asian countries. Due to competition and cost disadvantages.
Increasing the number of potential suppliers, finding favorable sources in terms of price and quality
Informal computerized trade with information, local and centralized purchasing
Initiate negotiation to the parent company
Just like the current practice: constant evaluation and bidding of the suppliers
Less focus on high cost countries and more focus on low cost countries like Brazil, China, Mexico, Korea, and Thailand
Less international sourcing due to long lead-times
Long-term relationships, quality, on-time delivery
Looking for suppliers, making them known to the company; informing them about the company's needs, evaluation and selection; preparing the necessary details linked to purchasing and logistics. Putting in purchasing orders.
Market research
More centralization in assortment offered to sales. More decentralization concerning logistics.
More cooperation with the foreign based owner
More domestic purchases, shorter lead-times, on-time deliveries
More involvement in the decision making process
Purchasing sourcing of products with cheaper prices from all over the world sustain competitiveness of the company
Reinforcement of global sourcing to the reduction of currency risks
Reinforcing; establishing of prerequisites for stronger use of edp, training of buyers
Re-enforcement of relationships to suppliers with own dependencies abroad due to our activities
Rise to about 50% of purchasing volume within next 3-5 years
Search for suppliers with technical / technological know how is the actual meaning
Should be used to reduce costs
Sourcing from the world-class supplier in terms of price, quality and flexibility
Sourcing on international markets will become more important for us

Figure 7-9
General Strategy Purchasing and Supply Management Organization Should Play
in Managing International Sourcing Activities (continued)

Strategic decisions are mainly made by top level management. The role of the purchasing department is limited.
Strong coordination of information
Support of international partners with respect to know-how, investments, building up of suppliers in low-cost countries, pooling and training of employees for sending them to foreign countries, and permanent environmental scanning
The company should not differentiate between national and international sourcing activities. The final aim is that the company can achieve efficiently its objectives anywhere.
The management of international sourcing will be oriented towards the development of a particular know-how
The problem: overcome local cultural differences/lack of time
The purchasing department has to take into consideration two main points: A necessary profit margin and the full costs of the company's purchases
The purchasing function plays a leading role in the company's international sourcing. It is the only function which can really take a strategic decision concerning the company's international sourcing.
The same as in managing domestic suppliers: competitive bidding
To build up long term contractual relationships
To create new markets for the company purchases. To look for new forms of competitiveness in the same existing area and other areas.
Traditional way of looking for suppliers
Training of staff
Use of all procurement possibilities to save the long-term success of the company
Using global sourcing for achievement of goals especially for (a) cost reductions (b) avoiding dependencies (sole sourcing situations) also macro economic aspects has to be taken into account, not only the specific situation of the company as soon as there are no conflicting interests
North America
Actively involved in search, evaluation, qualifying, and negotiating all teams including duties and transportation
Because of the current international markets. Possible outsourcing when large volume, high labor items are involved.
Closer working relationship with manufacturing and marketing personnel of parent company in W. Europe
Communication and coordination with all offices
Complete involvement by local/regional procurement professionals, recognizing the variations (i.e. cultural) effective performance. Increased international teaming efforts and visits by US based management team
Continue full involvement, encourage off shore suppliers to establish local manufacturing of distribution points
Continue on present course, continue development of skills and experience in international purchases
Develop/work with suppliers in non-production area to attain regional and global capabilities
Ensure knowledge of culture, business practices, ethics, and financial risks/opportunities
Evaluate and select supplier candidates brought to us by our jointly owned trading company
Foreign purchases are minimal. We don't expect significant change. Out overseas plants are managed as separate business units.
Foreign supply has to be part of the overall supply picture and to that extent I expect my domestic purchasing staff to be fully engaged in locating the best value anywhere in the world!
Global supply is the future. We had better be good at sourcing in this arena.
Greater involvement as EC grows, also third world country involvement needs to expand for electronics and some raw materials

Figure 7-9
General Strategy Purchasing and Supply Management Organization Should Play
in Managing International Sourcing Activities (continued)

Hands on involvement in selection and management of supplier with a direct contact as feasible
I think what we have works. Having people on the ground who understand the language and the nationalism is a big advantage.
Identification of suppliers, source selection and “life cycle management”
Identify qualified suppliers who can provide quality products at a cost savings
Identifying and qualifying capital equipment supplier
If we ever become involved overseas, purchasing will play a key role
International purchasing is an extension of our overall strategy. Offshore people must be aligned with and linked with domestic purchasing people.
International sourcing is a very small activity at our company usually handled through a US sales office of the foreign manufacturing facility
International sourcing is an accepted method of optimizing procurement alternatives. We live in and compete in a global economy so international trade is a part of everyday buying.
International sourcing is done for those materials/services that cannot be made in Canada or are better value internationally
International sourcing organization exists as part of total aircraft engines sourcing group
Major materials and services used in multiple countries should be sourced by a central group. Local single plant requirements should be sourced locally. All purchasing personnel should be guided by common purchasing policies and procedures.
Managing international sourcing is and should continue to increase. Cost of travel has been a limiting factor but should be overcome as successes continue.
Most of the international sourcing is conducted by corporate U.S. purchasing. More involvement from plant purchasing in the initial discussion would be a benefit.
No different than domestic, get involved early and see it to conclusion
On strategic items, test the market place through joint cross departmental efforts
Only international supplies are memory chips purchased via the U.S. offices of the Japanese/Korean suppliers
Organization should be part of a cross-functional international sourcing team. International sourcing should be aligned with corporate business and purchasing strategies.
Our purchasing organization will be the major contributor to lead out company towards more international sourcing
Plan and execute as a global enterprise, leverage the intelligence of the total enterprise at all local levels
Primary partner with marketing
Purchasing responsible in working with other function to establish and maintain sound practices
Purchasing should always be aware of all possible sources for materials and/or services both in the U.S. and outside
Purchasing should be involved in managing all suppliers, domestic and worldwide. Quality, total installed cost, on-time delivery are a requirement regardless of location.
Purchasing should be the key driver in setting the strategy & dealing with international sourcing
Purchasing should be totally involved in all sourcing activities
Purchasing should head sourcing strategy
Sharing best practices in contracting and sharing patronage information for leverage
Should be centralized for strategic purchase
Should be expanded—very difficult because business function very autonomous including international division
Should be the point dept should investigate and encourage a broad scope to ensure the profitability of the company
Should play very high lead profile role as most within company have no idea of logistical risk taking and liability exposure!

Figure 7-9
General Strategy Purchasing and Supply Management Organization Should Play
in Managing International Sourcing Activities (continued)

Should source for the optimal product wherever it can be found
Sourcing international only when not available in Canada
Strategic materials should continue to be purchased through a strong corporate procurement function
Strategic sourcing level centralized with tactical activities decentralized. Consolidation of volumes wherever cost effective for leverage.
Strong, well trained corporate group influencing spend and sourcing decision/strategies on a global basis
Supplier development and ethics. Total cost as evaluation base.
The world is smaller everyday. As a multinational company with manufacturing facilities world-wide, the supply base needs to be looked at as worldwide.
There should be a greater involvement of the centralized purchasing and materials management group with the foreign-based decentralized organization.
There should be more leveraging of requirements for various joint ventures; however, the political climates of different countries hinder this and we lose economies of scale. Total cost of ownership is higher.
There should be ongoing, consistent searches for qualified sources which should be managed by regional procurement offices
This is the direction in which we are traveling. Therefore, it will become increasingly necessary to, at a minimum, learn international licensing to begin to truly manage these sources.
Trend to decentralized with skilled local controls
True commodities should be sourced internationally to avoid volatility in local country supply/demand markets. Parent company is international and therefore purchasing should focus on global opportunities.
We believe that in order for our organization to compete we must be able to find the most cost-effective suppliers for our projects. This includes sourcing the world to find those regions that offer a competitive advantage based on the state of their economy, exchange rates, etc.
We continue to globalize manufacturing setting new facilities in Asia, purchasing here will continue to globalize to support operations
We currently source internationally using international teams and place purchase orders from most convenient purchasing location
We feel that local sourcing is imperative. Global supply cannot be handled out of a central US location.
We intend to increasing a central staff dedicated to international sourcing
We need to help develop sources in Asia/Latin America/Eastern Europe to support growth objectives
We normally deal with US representatives of foreign suppliers. Purchases in US dollars.
We should and do most all of the international sourcing. However accounting should be responsible for duty, exchange, etc.
We should avail ourselves of the best source of for our needs & we should have the expertise to globally source that information when needed
We should source where it provides us a competitive advantage
We will continue to manage and direct, seeking ways to add value to the organization and ultimately our customers. Decentralization where it makes sense.
When customers require in-country content as part of the business deal; learn cultural and business practices before actually buying
When in Rome do as the Romans do. Competitive advantage is critical.
Wider sourcing to ensure that the best goods or services are acquired for the dollars spent. Given free trade, global economy this has not happened to a great enough extent.
You must manage with the idea of a world-wide economy

Appendix A

Sample Letters and Questionnaires

SAMPLE LETTER REQUESTING PARTICIPATION TO BE A CASE STUDY

To: James Jones (disguised name)
Senior Vice President and Director
Apex, Incorporated (disguised name)
Chicago, IL

From: Thomas E. Hendrick, Ph.D.
Principal Researcher and Co-Project Director for *Multi-Country
Research Consortium to Study Current and Changing Best Practices
and Strategies in Purchasing and Supply Chain Management* (U.S.
Team Member)

Subject: Your Participation in Multi-Country Study

Date: March 27, 1997

As you may know, CAPS has organized and is managing a six-country Research Team currently performing a landmark comparative study of leading Canadian, French, German, Hungarian, United Kingdom, and the United States firms. Its purpose is to document **current and changing best practices and strategies in purchasing and supply chain management**. The research team consists of experienced researchers from universities in each of these six countries.

An important component of this study includes the development and documentation of **ten comprehensive cases studies** of leading firms in each of the six countries. **Apex** is one of the firms we would like to showcase for the United States portion of the study. I hope you will agree to participate in this first-of-its-kind international study.

Seven strategic purchasing and supply chain topics/issues (shown below) have been chosen to be the focus of the case studies. Many more topics could be included in the study. However, to keep the project manageable, these seven have been determined through extensive deliberations from both the Research Team and “research priority” inputs from over a hundred senior purchasing executives attending CAPS’ International Executive Purchasing Roundtables in Europe and North America. The Research Team believes that understanding the current and changing nature of these seven topics will aid significantly in understanding and achieving “best practices” in the purchasing and supply chain management functions.

SEVEN KEY TOPICS/ISSUES

1. Purchasing and supply **organizational structures**, including multi-functional commodity or product teams, centralization/decentralization/shared services mix, purchasing's current and changing roles/responsibilities, and structuring upstream and downstream functions (from purchasing) into an integrated supply chain.
2. Developing, maintaining, and enriching **strategic buyer-supplier “partnering” alliances**. Balancing the use of alliances with traditional price-oriented competitive bidding, and re-visiting their competitive advantage.
3. **Outsourcing** trends and strategies for production and services, including all or part of purchasing and supply's traditional functions to outside purchasing specialists, 3rd parties, purchasing consortiums (horizontal buying alliances among independent firms), internal customers, and suppliers.
4. Development of purchasing and supply **strategic plans** and their value-adding integration into overall corporate strategic plans, including recruitment and development of **purchasing and supply professionals** who can think and act strategically.
5. **Information and decision support systems** for purchasing and supply, including electronic data interchange/electronic funds transfer, enterprise systems (such as SAP), Internet/World Wide Web-based industrial procurement, on-line RFP/RFQ/tender announcement, on-line bidding, and “artificially intelligent” computer-based purchasing “agents” for qualified supplier searches and routine purchase transactions.
6. **Environmental** issues, requirements, constraints, legislation, enforcement that impact (or are expected to impact) purchasing and supply.
7. **Global procurement** strategies, opportunities, and constraints.

In addition, the Research Team would like to inquire on each of the **five dimensions** shown below for each of the above **seven topics/issues**.

FIVE DIMENSIONS OF INQUIRY

1. **Current** status, use, structure, level of sophistication of the topic/issue. (What are you doing now? Why? How? Who? Results? Can you share any “sanitized” documents, charts, graphs, pamphlets, flow charts, video tapes, etc. that describe this activity in more detail? **Strict confidentiality will be maintained.**)

2. **Desired use or changes** in status, use, level of sophistication of the topic/issue. (What do you want to do? What has kept you from doing it? Why? How? Who? Expected Results?)

3. **Predicted change** (increase, stable, decrease) in status, use, level of sophistication of the topic/issue **within the next 3-5 years**. (What do you think will happen regarding this topic in the next 3-5 years for your firm? Other firms? Why? How? Who? Expected Results?)

4. **Predicted impact** of predicted change on purchasing and supply and/or a firm’s competitiveness. (How will change impact your firm? Other firms?)

5. **Critical factors of success/failure**. (Why were you successful? Why did you fail? How could you have been more successful? How could you have avoided failure?)

Also, to save time and scarce research funds, rather than visit you in person at your offices, I would like to **conduct telephone interviews** with you (and/or your colleagues) to discuss these seven topics/issues. (Calls will be at CAPS’ expense.)

Of course, all responses from you and your colleagues will be held **strictly confidential**. First, I personally will summarize our conversations and documents you share with me in a written case study where **your company will only be identified generically by industry type, and not by name**. Second, your responses will be disguised in summary statistics across several participating firms studied by the six-country research consortium. On the other hand, if you **do wish to be identified** in the case write-up, please let me know.

A special request: Since our conversations will be held confidential, I would request that I be permitted to **tape record our interviews** so I can have a complete record of your responses rather than relying upon written notes, or, to have you wait while I make notes. (I certainly would stop recording when you indicate our discussion involves a sensitive area. Also, when I have finished with the tapes, I will, if you wish, return them to you.) If you are uncomfortable with this, please let me know.

The Research Team plans to provide a detailed written report of the study (including the results of a common six-country structured mail survey questionnaire in which you may have already participated) in late summer, 1997.

As an aid to structuring the teleconference interviews, enclosed is a set of seven **Interview Guidelines** that are meant only to stimulate your (or your colleagues') memory about certain aspects of your experiences with each of the **seven topics/issues** and to use to make some notes, jot down some statistics, collect some documents, invite others with special knowledge to participate in the interviews, or other specifics prior to our interviews. You may wish to distribute copies of these **Interview Guidelines** in advance to others in your organization who you wish to be included in our discussions.

Finally, if you agree to participate, I would appreciate you helping me by setting up a telephone interview schedule which is convenient for you and your colleagues. Also, if you would like others besides yourself to be involved (at your option) in talking with me (at different times) about these seven topics, I would appreciate you setting up the schedule for them, as well. (Attached is an **interview schedule form** which you may wish to use in laying out the schedule.)

Ideally, I would like to have the topics **scheduled in seven 45 minute blocks over two or more consecutive days, preferably from 0700 - 1430 hours, Monday - Friday, Pacific Time Zone**. Currently, I am available during the following weeks to talk with you wherever you happen to be in the world:

April 21 - 25; 28 - 30

May 7 - 9; 14 - 16; 19 - 23

June 9 - 12; 16 - 19; 23 - 27

While we may not need this much time, blocking the interviews in seven 45 minute intervals may allow us both to have some short breaks between discussions. **I will call you in a few days to get your reaction to your participation in this project.** I fully realize this is an ambitious project that will consume some valuable time from your busy schedules, but I hope you will see the potential value of such a comprehensive multi-national study. Please call me if you have questions.

Best regards,

Enclosures: Seven Interview Guidelines; Interview Schedule Form

APPENDIX

MULTI-NATIONAL STUDY ON PURCHASING AND SUPPLY: INTERVIEW SCHEDULE

COMPANY _____ ADDRESS _____ CONTACT PERSON _____

TELEPHONE _____ FAX _____ E-MAIL _____ INTERVIEW DATES _____

YOUR TIME ZONE _____

<u>TOPIC</u>	<u>DATE/TIME</u>	<u>INDIVIDUAL(S)</u>	<u>TELEPHONE #</u>	<u>COMMENTS/INSTRUCTIONS</u>
1. ORGANIZ. STR.	_____	_____	_____	_____
2. ALLIANCES	_____	_____	_____	_____
3. OUTSOURCING	_____	_____	_____	_____
4. STR. PLANS/ PROF. DEVELPT	_____	_____	_____	_____
5. INFO. SYSTEMS	_____	_____	_____	_____
6. ENVIRONMT.	_____	_____	_____	_____
7. GLOBAL PROCUREMT.	_____	_____	_____	_____

SPECIAL INSTRUCTIONS _____

PLEASE COMPLETE AND FAX OR E-MAIL TO TOM HENDRICK
 FAX: (602) 491 7885; E-Mail: Tom.Hendrick@ASU.EDU

INTERVIEW GUIDELINES
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1. PURCHASING AND SUPPLY ORGANIZATIONAL STRUCTURES

PERSON(S) INTERVIEWED _____ **DATE/TIME** _____
TEL _____ **FAX** _____ **E-MAIL** _____

Brief definition: Organizational structures are defined as the formal way in which a firm has assigned duties, responsibilities, and authority to employed individuals to manage its activities, products, functions and markets to meet its objectives. Often this is defined by organization charts, job descriptions, and related documents that define the extent and limit of responsibility and authority of individuals to act on behalf of the firm and to manage others. For this study, we primarily are interested in the organizational structure of your purchasing and supply management functions in relation to the remainder of your organization.

1. Please give an overview of the current organizational structure for your firm's purchasing and supply functions, both domestic and international.

a. Centralized? Decentralized? Mixture? Geographic? Shared services among corporate headquarters and business units? How long has the current structure been in place? Can you provide current organization charts of entire company and of purchasing in more detail?

b. Purchasing reports directly to? How long has this been the reporting line? Previous reporting line? Why did it change?

c. Use commodity teams? What commodities are purchased centrally? Purchased by decentralized business units? Use product/product group teams? What product lines? Typical functional team makeup?

d. Cross-functional teams? Co-located? Typical functional team makeup? Permanent team assignment? Project-by-project team assignment? Full-time or part time teams? How do they communicate? Example of a typical team's responsibilities and membership?

APPENDIX

e. Organizational structure relationship of purchasing to other functions (quality, engineering, manufacturing, finance, transportation, marketing, etc.) in the supply chain?

f. Unique aspects of your current purchasing and supply structure?

g. Successes/failures from your current structure, including team performance?

2. Are there any changes you could make to your current organizational structure(s) that you think would increase the purchasing and supply function's ability to support the needs of your entire firm?

a. What changes? Reporting line? Flattening? Centralizing? Decentralizing? Teams? Delegating responsibilities? To whom?

b. What has kept you from making these beneficial changes? Time? Organizational politics? Resources? Lack of authority/support from top management? Staff skills? Purchasing's reputation?

3. What changes in the next 3-5 years do you foresee in purchasing and supply's organizational structures in your industry or in general?

a. What?

b. Why?

4. What impact (if any) do you think your predicted changes (in #3) will have in contributing to increasing a firm's competitiveness?

a. What?

b. Why?

5. Critical success/failure factors:

a. In your **current structure(s)**, what are the three-four critical factors that makes it successful? If not so successful, what three-four critical factors have been the cause?

b. For your **predicted structures** evolving during the 3-5 years, what are the three-four critical factors that you believe will make them successful? What mistakes are to be avoided to ensure success?

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2. STRATEGIC BUYER-SUPPLIER “PARTNERING ALLIANCES

PERSON(S) INTERVIEWED _____ **DATE/TIME** _____
TEL _____ **FAX** _____ **E-MAIL** _____

Brief definition: A Strategic Buyer-Supplier “Partnering” Alliances is defined as “a cooperative and collaborative way in which a buying firm and a few of its key suppliers intensively interact with each other to achieve mutual ‘win-win’ long-term competitive benefits. These special relationships are characterized by long-term commitments, a high degree of mutual trust, confidential information sharing, cooperative continuous improvement efforts, and the sharing of risks and rewards associated with the relationship.” (*Strategic Supplier Partnering*, by Hendrick and Ellram, CAPS, 1993)

1. Please give an overview of the current initiatives your firm has regarding strategic buyer-supplier “partnering” alliances.

- a. Formal or informal initiative? How many? Who? How long?
- b. What commodities, materials, services are included?
- c. Are alliance partners single sources to you for their products or services? If not, why? Has this initiative been a cause of a reduction in your active supplier base? Previous number of active suppliers? Current number? Details?
- d. Do you share documented savings that come from collaborative cost-reduction activities? Results? Example? If not, why?
- e. Do you share confidential information with each other (production schedules, cost and margin data, new technology, strategic plans, new product conceptual designs, etc.)? What? What not shared? Why? Shared one way, but not the other? Why?
- f. Is joint risk-sharing part of your agreements/contracts, such as sharing in raw material price changes, or limited changes in order quantities/delivery schedules in the short-term?
- g. Who manages these relationships? Individual? Buying team? Joint buying-supplying team? How do buyer-supplier interact/communicate? Any top management routine involvement?

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- h. How long is the typical contract? Year? Years? Evergreen (on-going)?
- i. Is there a formal written agreement? Does it include language that defines the “spirit” of the relationship (such as in the above definition)? Are these agreements becoming less or more complex and detailed than in the past, or than those developed for non-alliance partners? Can you provide a “sanitized” copy?
- j. Has there been documented improvement in **pricing, quality, and service** (such as on-time delivery) that is associated with your alliance “partnering” activities? Estimated improvement for a typical relationship in price, quality, service?
- k. Have you had any alliance partnerships that have failed? Describe?

2. Are there any changes you could make to your current relationships you have with your key suppliers that would benefit your firm?

- a. Through redesigning or enhancing your current alliance-partnering initiative? What? Why? Expected results?
- b. If an alliance-partnering initiative is not currently in place, what are your plans? If no plans to start such an initiative, why? Tried it, and they were not effective? Organizational philosophy is to keep arms-length from suppliers? Staff skills? Lack of staff? Lack of interest on suppliers’ part? Price dominates total cost in decision-making? Multiple source philosophy?

3. What changes in the 3-5 years decade do you foresee for the structure and use of strategic buyer-supplier partnering alliances?

- a. What?
- b. Why?

4. What impact (if any) do you think your predicted changes (in #3) will have in contributing to increasing a firm’s competitiveness?

- a. What?
- b. Why?

5. Critical success/failure factors:

- a. In your **current** alliances/partnerships, what are the three-four critical factors that have made them successful? If not so successful, what three-four critical factors have been the cause of their non-success or failure? Specific examples?
- b. For your **predicted changes in alliances/partnerships** evolving during the next 3-5 years, what are the three-four critical factors that you believe will make them successful? What mistakes are to be avoided to ensure success?

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3 OUTSOURCING PURCHASING & SUPPLY FUNCTIONS

PERSON(S) INTERVIEWED _____ **DATE/TIME** _____
TEL _____ **FAX** _____ **E-MAIL** _____

Brief definition: Outsourcing purchasing and supply functions is defined as delegating some or all of the responsibility and authority for selected purchasing and supply-related functions out of the purchasing organization to individuals, departments, purchasing's internal clients or customers, and external 3rd parties, consortiums (horizontal buying alliances among a group of independent firms), and suppliers.

1. Please give an overview of the current purchasing-related activities your purchasing organization has outsourced or delegated to others both within your firm and externally to 3rd parties, consortiums, and suppliers.

a. What purchasing activities have you shifted to others, including **internal** clients/customers that were part of your responsibility in the recent past? To whom? Why? Are internal clients/customers' departments compensated for assuming these responsibilities? From purchasing's operating budget? Results (positive, negative) for your purchasing organization? Results (positive, negative) for internal clients/customers?

b. Same as "a" above, but for **external** 3rd parties who perform certain purchasing-related functions? Buying consortiums or groups? What commodities? Who? Why? How do these processes work? How are they compensated? Results? Savings/pricing? Service? Quality? Any legal or anti-competitive issues related to consortiums that have hindered their use? Any bad experiences?

c. Same as "a" above, but for your **suppliers**? What? Who? Why? How does the process work? Are some suppliers in residence at your firm part time or full time? How are suppliers compensated for these services?

d. Have you implemented a purchasing card program (Visa, MasterCard, American Express, other) for small-value purchases? What? How long in place? How many issued? Who has them? Annual number of transactions? Annual monetary volume?

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Restrictions? Any wide-spread abuse? Results? Monetary savings? Transaction cost reduction (buying and paying)? Order process cycle time reduction?

e. What purchasing activities, functions have you retained in your organization rather than outsourced? Why?

2. Are there any changes you could make to your current levels of outsourcing and delegating to others of traditional purchasing functions that you think would increase the purchasing and supply function's ability to support the needs and goals of your entire firm?

a. What changes?

b. What has kept you from making these beneficial changes? Resistance from the purchasing staff? From internal clients/customers? From suppliers? From top management? No qualified external 3rd parties or consortiums? Staff skills? Issue of inadequate control of purchases? Lack of systems?

3. What changes in the next decade do you foresee in the outsourcing and delegating of traditional purchasing functions and responsibilities to others?

a. What?

b. Why?

4. What impact (if any) do you think your predicted changes (in #3) will have in contributing to increasing a firm's competitiveness?

a. What?

b. Why?

5. Critical success/failure factors:

a. In your **current** outsourced or delegated purchasing functions to others, in your experience, what have been the three-four critical factors that has led to its success? If you have experienced not so successful outsourcing and delegating of purchasing functions, what three-four critical factors that caused this negative result?

b. For your **predicted changes in outsourcing/delegating purchasing functions** evolving during the next decade, what are the three-four critical factors that you believe will make them successful? What mistakes are to be avoided to ensure success?

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**4. PURCHASING & SUPPLY'S STRATEGIC PLANNING
PROCESS & ITS INTEGRATION INTO
OVERALL CORPORATE STRATEGIC PLANS**

PERSON(S) INTERVIEWED _____ **DATE/TIME** _____
TEL _____ **FAX** _____ **E-MAIL** _____

Brief definition: A Strategic Plan defines an organization's mission, goals, objectives, individual strategies, initiatives, tactics, and operational plans. In addition, it specifies the human, capital, intellectual, and technical resources required to achieve its mission, goals, and objectives, and a time-phased action plan for implementation.

1. Please give an overview of the current process your organization has in place for the development and implementation of a purchasing and supply strategic plan.

a. Formal plan? Informal plan? Frequency of update? Input from whom? Does it follow a standard format used by all functions in your firm? Is it distributed to the staff?

b. What are the main process steps used to develop purchasing and supply's strategic plan?

c. Are targets given to purchasing by top management, set by purchasing, or the result of negotiations between purchasing and top management? (Examples: x % reduction in material cost; y % reduction in rejected purchasing parts; z % on-time delivery of purchased items; n % reduction in active supply base; m % reduction in purchasing headcount)?

d. What are three - four of the major goals, objectives, or initiatives contained in your most recent strategic plan (for example, supplier alliances, cycle time reduction, EDI implementation)? What has been your results regarding these major initiatives?

e.. To what extent is purchasing's strategic plan developed in concert with other functions' plans, and the overall corporate strategic plan?

f. What other functions' plans are considered concurrently with purchasing's?

g. How is purchasing's plan integrated into the overall corporate strategic plan?

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h. Are other function's plans (for example, manufacturing or marketing) changed to be in concert with purchasing's plan? Vice-versa? Examples?

i. Is the overall corporate plan changed to be in concert with purchasing's plan? Vice-versa? Examples?

j. What strategy has been used to assure that purchasing's strategic plan is integrated into the overall corporate plan? Driven by purchasing? Driven by top management? Other?

k. Is purchasing a permanent and "respected" member and contributor at the corporation's strategic planning meetings? If yes, please elaborate? If no, why?

2. Are there any changes you could make to your current strategic planning process and/or its inclusion in the corporate plan, that you think would increase the purchasing and supply function's ability to support the needs and goals of your entire firm?

a. What changes?

b. What has kept you from making these beneficial changes? Resistance from the purchasing staff? From internal clients/customers? From suppliers? From top management? No qualified external 3rd parties or consortiums? Staff skills? Issue of inadequate control of purchases? Lack of systems?

3. What changes in the next 3-5 years do you foresee in the development and use of strategic plans for purchasing and supply? For their integration into overall corporate plans?

a. What?

b. Why?

4. What impact (if any) do you think your predicted changes (in #3) will have in contributing to increasing a firm's competitiveness?

a. What?

b. Why?

5. Critical success/failure factors:

a. For your **current** strategic planning activities, in your experience, what have been the three-four critical factors that has lead to its success? To its integration into overall corporate strategic plans? If you have experienced not-so-successful strategic planning and/or its integration into overall corporate strategic plans, what were the three-four critical factors that caused this negative result?

b. For your **predicted changes in the use and integration of strategic planning for purchasing** evolving during the next 3-5 years, what are the three-four critical factors that you believe will bring success? What mistakes are to be avoided to ensure success?

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**5. INFORMATION AND DECISION-SUPPORT SYSTEMS
FOR PURCHASING AND SUPPLY MANAGEMENT**

PERSON(S) INTERVIEWED _____ **DATE/TIME** _____
TEL _____ **FAX** _____ **E-MAIL** _____

Brief definition: Information systems collect, analyze, synthesize, and disseminate data to provide information to aid in managing, decision-making, and performing routine transactions. Usually computer-based, these systems support purchasing and supply management in areas such as timing of requirements for purchased materials, services and capital equipment, sources of supply, supplier information, supplier performance, order release/call off, order tracking, pricing, quality, and lead times, total cost analysis, and purchasing performance.

1. Please give an overview of the current information systems your firm has in place to support purchasing and supply management.

- a. Mainframe systems? Age?
- b. PC-based systems? Age? Locally networked? Multi-site networked? Internet/World WideWeb capability?
- c. What are the main applications?
- d. Do you use electronic data interchange (EDI) for purchasing transactions and/or electronic funds transfer (EFT) for accounts payable? Standard format? Unique format? Direct to suppliers? Use a 3rd party provider? Percent of total \$ purchases through EDI? EFT? Percent of total transactions through EDI? EFT?
- e. Who uses these main applications? Any resistance to use? What? Why?
- f. Off-the-shelf systems? Developed internally?
- g. Any unique applications? For example, total cost models, on-line bidding, buyer MRP systems linked to supplier MRP systems, Internet purchasing, automated releases/call offs, intelligent computerized sourcing searches, PC teleconferencing, computerized kanban

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signals to suppliers, on-line collaborative problem solving (for example, using Lotus Notes), computerized buyers' work stations?

h. Does purchasing have its own systems staff? Rely upon corporate systems staff?

2. Are there any changes you would like to make to your current purchasing-related information and decision support systems that you think would increase the purchasing and supply function's ability to support the needs and goals of your entire firm?

a. What changes?

b. What has kept you from making these beneficial changes? Resistance from the purchasing staff? From internal clients/customers? From suppliers? From top management? Lack of resources? Staff skills? Newer systems not compatible with current systems?

3. What changes in the 3-5 years do you foresee in the development and use of information and decision support systems for purchasing and supply management?

a. What?

b. Why?

4. What impact (if any) do you think your predicted changes (in #3) will have in contributing to increasing a firm's competitiveness?

a. What?

b. Why?

5. Critical success/failure factors:

a. For your **current** purchasing and supply management oriented information and decision support systems, in your experience, what have been the three-four critical factors that has lead to their success? If you have experienced not-so-successful systems, what were the three-four critical factors that caused this negative result?

b. For your **predicted** changes in for the development and use of systems to support purchasing and supply management that you forecast will **evolve during the next 3-5 years**, what are the three-four critical factors that you believe will bring success? What mistakes are to be avoided to ensure success?

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6. ENVIRONMENTAL ISSUES, REQUIREMENTS, CONSTRAINTS IMPACTING PURCHASING AND SUPPLY MANAGEMENT

PERSON(S) INTERVIEWED _____ **DATE/TIME** _____
TEL _____ **FAX** _____ **E-MAIL** _____

Brief definition: Environmental issues deal with such areas as water, ground, air, and noise pollution; use, storage and disposal of hazardous materials and chemicals and its waste from manufacturing; waste water management; unsafe and unhealthy working environments; unsafe finished products; industrial harm to plant and animal life; recycling or disposal of excess inventories, equipment, and manufacturing-generated scrap; recycling of obsolete or scrapped end products; design of products for material conservation, re-use, or recycling; and restoration/reclamation of lands scarred by industrial activity.

1. Please give an overview of the current activities, initiatives, programs, or processes your purchasing and supply organization is involved in (either directly or indirectly) which deals with any of the above mentioned (or other) environmental issues or problems.

- a. Management of purchased hazardous materials, chemicals, equipment?
- b. Reduction/elimination of hazardous, or unsafe materials, chemicals from supplier-provided materials, components, equipment?
- c. Disposal of hazardous or excess inventories, scrap, and capital assets?
- d. Design of products and services for resource conservation, re-use, recycling of end products' materials, components?
- e. Do you participate in a firm-wide periodic "environmental audit?" Details?
- f. What environmental legislation and its enforcement is affecting your purchasing and supply activities?
- g. Other environmentally-related areas where you are active?

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2. Are there any changes you would like to make to your current environmental activities, initiatives, programs, or processes that you think would increase the purchasing and supply function's ability to support the needs and goals of your entire firm or your country's environmental objectives and legislation?

- a. What changes?
- b. What has kept you from making these beneficial changes? Resistance from the purchasing staff? From internal clients/customers? From suppliers? From top management? Lack of resources? Staff skills? No authority given to purchasing to pursue environmental initiatives?

3. What changes in the next 3-5 years do you foresee for purchasing and supply's involvement in environmental issues and problems?

- a. What?
- b. Why?
- c. New environmentally-related legislation/enforcement on the horizon? What? Who?

4. What impact (if any) do you think your predicted changes (in #3) will have in contributing to increasing a firm's competitiveness?

- a. What?
- b. Why?
- c. Legislation? Enforcement? Impact?

5. Critical success/failure factors:

a. For your **current** purchasing and supply management involvement in environmental issues, initiatives, programs, and processes, in your experience, what have been the three-four critical factors that has lead to their success? If you have experienced not-so-successful involvement or results, what were the three-four critical factors that caused this negative result?

b. For the **predicted** changes in purchasing and supply's involvement in environmental activities that you forecast will **evolve during the next 3-5 years**, what are the three-four critical factors that you believe will bring success? What mistakes are to be avoided to ensure success?

INTERVIEW GUIDELINES
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7. GLOBAL PROCUREMENT STRATEGIES, OPPORTUNITIES, CONSTRAINTS

PERSON(S) INTERVIEWED _____ **DATE/TIME** _____
TEL _____ **FAX** _____ **E-MAIL** _____

Brief definition: Global procurement strategies, opportunities, and constraints deals with a firm's approach to and management of its sourcing for materials, products, services, and capital from firms located outside its native country. Issues and problems include total cost analyses (reliability of delivery, quality, transportation costs, cycle times, etc.); cultural (language, customs, ethics); economic (stability, literacy, labor force, economic system, tariffs, duties, import/export quotas); political (local content and employment requirements, counter trade, offsets, barter, GATT, NAFTA, EC, other regional economic trade agreements, political stability, possible military hostilities, health, safety, and human rights); establishment of international purchasing offices (IPOs), currency fluctuations and counter-measures such as hedging, and staffing with expatriates and/or natives.

1. Please give an overview of the current global or international activities, initiatives, programs, or processes your purchasing and supply organization is involved in (either directly or indirectly) which deals with any of the above mentioned (or other) global/international sourcing issues or problems.

- a. Extent of global sourcing? Percent of total annual purchases? Commodities? What three-five countries account for most of internationally sourced goods and services?
- b. What has been your experience? Positive? Negative? Mixed results? Explain with examples. Estimated benefits...cost savings, cycle time, quality, service?
- c. How are your global purchases managed? Your staff? Your IPO? 3rd party purchasing agent/broker/IPO? Consortium IPO (several companies share an IPO dedicated to purchasing just their requirements)?
- d. How are qualified international suppliers identified and chosen?
- e. What cultural, economic, and political issues relating to global sourcing have you had to deal with in the recent past? How did you solve them? Outcomes?

APPENDIX

f. Have purchasing ethics been an issue for your firm when dealing with other cultures? Details? If so, how do you train your staff to deal with these issues?

g. How do you manage foreign currency exchange fluctuations?

h. Any unique programs or initiatives in your global sourcing activities?

2. Are there any changes you would like to make to your current global sourcing activities, initiatives, programs, or processes that you think would increase the purchasing and supply function's ability to support the needs and goals of your entire firm?

a. What changes?

b. What has kept you from making these beneficial changes? Resistance from the purchasing staff? From internal clients/customers? From suppliers? From top management? Lack of resources? Staff skills? Not enough experience in global sourcing? Uncertainty of benefit? Domestic suppliers meets vast majority of our requirements for purchased goods, services and capital equipment?

3. What changes in the next 3-5 years do you foresee for purchasing and supply's involvement in global sourcing?

a. What?

b. Why?

c. Where? Change in percent of total purchases made globally? Estimate?

4. What impact (if any) do you think your predicted changes (in #3) will have in contributing to increasing a firm's competitiveness?

a. What?

b. Why?

5. Critical success/failure factors:

a. For your **current** purchasing and supply management involvement in global sourcing initiatives, programs, and processes, in your experience, what have been the three-four critical factors that has lead to their success? If you have experienced not-so-successful global sourcing results, what were the three-four critical factors that caused this negative result?

b. For the **predicted** changes in purchasing and supply's involvement in global sourcing activities that you forecast will **evolve during the next 3-5 years**, what are the three-four critical factors that you believe will bring success? What mistakes are to be avoided to ensure success?

SAMPLE COVER LETTER FOR MAIL QUESTIONNAIRES

October 20, 1996

Mr. James P. Smith
Senior Vice President, Worldwide
Procurement
American Refractory
200 Wall Street
New York, NY 10285

Dear Mr. Smith:

The Center for Advanced Purchasing Studies (CAPS) is sponsoring a comprehensive **multi-country study** of seven strategic topics of high-priority interest to purchasing and supply management executives. The following countries are participating in this study, which is the first of its kind: **Belgium, Canada, France, Hungary, Germany, United Kingdom, and the United States**. I am Co-Director for the project, and am Principal Researcher for the United States component of the study.

Phase 1 of this project has been the development of approximately seventy case studies (ten in each country) and is nearly complete. **Phase 2** of this project consists of a questionnaire survey (see enclosed Questionnaire Package) of leading firms in each of these countries over the same seven topics. Because of your leadership and interest in strategic purchasing and supply management issues, you and your firm are being asked to participate in the second phase of the project.

Right up front, let me say that participation in this study will require some time and effort (**about 5-6 hours**) by you and your staff to complete the seven survey questionnaires--one for each of the seven strategic topics deemed to be a high-priority for research by over one-hundred senior purchasing executives attending the CAPS' *International Executive Purchasing Roundtables* in North America and Europe in 1995 and 1996.

Why should you invest this much time and effort in this project?

First, your experience with these seven topics is valued. It is important that you aid us, an independent university-affiliated research center, by sharing your **current** and **planned** activities **and** your expert opinion regarding what you **should be** doing. **Be**

APPENDIX

completely assured that all responses from you are strictly confidential and you and your firm will never be directly associated with your individual answers on the questionnaires.

Second, I believe you will find that we have carefully crafted these seven questionnaires not only to efficiently capture important information, but to **provide you with a diagnostic tool** for you to review these seven strategic topics regarding your **current** activities, approach, strategy, level of intensity, etc., as well as what you think you **should be** doing, and to **determine the gaps** that may exist.

Third, here are two alternatives to having you completing all seven questionnaires yourself, which of course, is entirely appropriate:

- Consider parceling them out to various members of your professional staff to complete, based upon their knowledge, expertise, or job assignment. (During the development of the case studies in Phase 1, we often interviewed several people in each firm.)
- You might find it useful to use these questionnaires as a **diagnostic tool**: Have a few members of your professional staff independently complete all or part of the set and then compare individual results to determine the level of consensus or divergence among your staff on the various strategic topics. The set you submit to me would be a **consensus** resulting from this comparison/discussion of individual responses.

Finally, participation in the study will **guarantee that you will receive, at no cost**, the published report as soon as it is completed in mid-1997, which will be several weeks prior to its release to the general business communities in North American and Europe.

Target date for returning the questionnaire set is December 10, 1996.

Please take a moment to **complete and mail the enclosed postcard regarding your participation in this project**. If questions, please call or e-mail me.

Thank you,

Tom Hendrick, Ph.D.
Director, CAPS' International
Executive Purchasing Roundtables &
Professor of Strategic Supply Chain Management,
Arizona State University

Enclosures

Center for Advanced Purchasing Studies

an affiliation of the National Association of Purchasing
Management and Arizona State University

MULTI-COUNTRY RESEARCH PROJECT ON PURCHASING AND SUPPLY CHAIN MANAGEMENT

QUESTIONNAIRE PACKAGE

CONTAINING:

“GENERAL INFORMATION” QUESTIONNAIRE

+

SEVEN TOPICAL QUESTIONNAIRES

General Instructions and Information

- 1. All responses to these questionnaires will be held strictly confidential.*
- 2. If you are not sure of the answer to a question, please provide your best estimate.*
- 3. Please round numerical responses to the closest whole numbers and percentages.*
- 4. If you are interested in receiving a copy of the results of this study, please provide the information requested on the last page of the questionnaires.*
- 5. Please return the completed questionnaires all together (General Questionnaire + all seven topical questionnaires) in the enclosed self-addressed envelope by*

December 10, 1996.

If you have any questions, please contact:

Tom Hendrick, Ph.D.

Principal Researcher

Director, CAPS' International Executive Purchasing Roundtables

&

Professor of Strategic Supply Chain Management

Arizona State University

P.O. Box 22160

Tempe, AZ 85285-2160

(800) 888-6276 Ext. 3052

Internet E-Mail: Tom.Hendrick@asu.edu

APPENDIX

R# _____

GENERAL INFORMATION*

(To be completed only once)

1. General Industry or Sector
(Examples: Chemicals, Food Mfg.,
Airline, Computer Mfg., Financial
Services, Heavy Equipment Mfg.): _____
2. Total Annual Sales (Turnover): \$ _____
3. Total Annual \$ Purchases: \$ _____
4. Total Annual Operating
Expenses for Purchasing Dept.: \$ _____
5. Number of Active Suppliers: # _____
6. Approximate Number of Active
Suppliers that account for 90%
of Annual \$ Purchases: # _____
7. Average Purchase Order
Cycle Time: _____ Days
8. Number of **Professional**
Purchasing Employees: # _____
9. **Total** Number of Purchasing
Employees: # _____
10. Percent of Total Annual **Goods**
Purchased by Purchasing Dept.: _____ %
11. Percent of Total Annual **Services**
Purchases by Purchasing Dept.: _____ %

*** This information will remain strictly confidential, and no individual numbers will ever be associated with your company in any of the reports that result from this study.**

QUESTIONNAIRE # 1 (R#____)
**MULTI-COUNTRY RESEARCH PROJECT ON PURCHASING AND SUPPLY
 CHAIN MANAGEMENT**

United States Survey

Center for Advanced Purchasing Studies

Thomas E. Hendrick, Ph.D., Principal Researcher

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⇒(Please return to CAPS by December 10, 1996)

**1. PURCHASING AND SUPPLY MANAGEMENT
 ORGANIZATIONAL STRUCTURES**

Brief definition: Organizational structures are defined as the formal way in which a firm has assigned duties, responsibilities, and authority to employed individuals to manage its activities, products, functions and markets to meet its objectives. Often this is defined by organization charts, job descriptions, and related documents that define the extent and limit of responsibility and authority of individuals to act on behalf of the firm and to manage others. For this study, we primarily are interested in the organizational structure of your purchasing and supply management functions in relation to the remainder of your organization.

I. The following describes several ways in which the purchasing and supply management functions and activities in your company may be structured to do its job. (Please check all that follows that best describes your organization and please provide best estimates for numerical questions.)

- a. Centralized: purchases are managed by a single purchasing and supply management group:.....
- b. Decentralized: purchases are managed from each business unit:
- c. Centralized/Decentralized: Purchases are managed by a mix of central and local business units, with the **majority of dollar volume** of purchases managed by a **central** purchasing function:
- d. Decentralized/Centralized: Purchases are managed by a mix of central and local business units, with the **majority of dollar volume** of purchases managed by **decentralized** business units:

APPENDIX

e. Approximate % mix of total \$ purchases:

Centralized _____ %
Decentralized _____ %
100%

f. Centralized purchasing combines (leverages) and buys company-wide requirements for commonly used commodities such as:.....

Materials: _____,
Capital: _____,
Services: _____,

g. Approximate % mix of \$ volume of total purchases that are:

Strategic (materials, capital, services): _____ %
Non-strategic (mat., cap., services): _____ %
Total 100%

h. Of the total company purchases for all goods and services, approximately what % are purchased by

Purchasing personnel: _____ %
Non-purchasing personnel: _____ %
Team of both of above: _____ %
Total: 100%

i. Purchasing functions are organized into two “tiers”. One tier performs mostly **strategic** activities (supplier selection/development, contracting, relationship management), while another tier (perhaps outside of purchasing) performs **day-to-day tactical and operational** activities such as order releases or call offs:.....

j. Purchasing uses a “lead buyer” structure where buyers or buyer-teams in **decentralized business units** manage the purchase of specified commodities for the entire company because of their large local requirements and/or expertise in purchasing these commodities.....

k. Purchasing is organized into multi-functional commodity teams. Please list 5 such teams below (next page) that manage **key commodities** and indicate functional membership:.....

(Please check box if function is member of team)

Commodity Team Purch Manuf R& D Engin Quality Fin/Acct Mktg Other*

k1. _____

k2. _____

k3. _____

k4. _____

k5. _____

* Please describe "Other": _____

1. The commodity teams described above are (please check **all** that apply):

- Formally structured teams.....
- Informally structured teams.....
- Individuals are permanently assigned to one or more teams.....
- Individuals are temporarily assigned to one or more teams.....
- Team activities are primary responsibility of team member.....
- Team activities are secondary responsibility of team member.....
- Individual may be a member of several commodity teams

m. Domestic and international purchasing activities are combined, for the most part, into a single world-wide purchasing organization:

n. Domestic and international purchasing activities are, for the most part, handled by separate organizations:.....

2. To whom does the chief purchasing officer report to in your company?

- a. President/CEO.....
- b. Executive vice president.....
- c. VP of finance (CFO).....
- d. VP of mfg. operations (COO)....
- e. Other_____...

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3. How many line and staff managers **report directly**
(second level of purchasing's organizational structure)
to the **chief of purchasing**? _____#

4. In the past two years, has your company's purchasing organization head count:

a. Increased? Γ Up by what %? +_____%

b. No change? Γ
 Comment?_____

c. Decreased? Γ Down by what %? - _____%

5. Please describe briefly any changes you believe **will** occur in the next 3 - 5 years
in **your company's** purchasing and supply organizational structure and/or size:

Why?_____

6. Please describe briefly any changes you believe **will** occur in the next 3 - 5 years in
the way purchasing and supply functions, **in general**, will be organized or sized:

Why?_____

7. Please describe briefly any changes you believe **should** occur in the next 3 - 5 years in
the way purchasing and supply functions, **in general, should be** organized or sized:

Why?_____

Thank you for your participation!
(Please complete below or tape your business card here to receive a free copy of this study)

Name_____Company_____Title_____

Telephone_____Fax_____Internet email_____

Address_____

QUESTIONNAIRE # 2 (R#_____)
MULTI-COUNTRY RESEARCH PROJECT ON PURCHASING AND SUPPLY
CHAIN MANAGEMENT

United States Survey

Center for Advanced Purchasing Studies

Thomas E. Hendrick, Ph.D., Principal Researcher

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⇒(Please return to CAPS by December 10, 1996)

2. STRATEGIC BUYER-SUPPLIER “PARTNERING” ALLIANCES

Brief definition: A Strategic Buyer-Supplier “Partnering” Alliance is defined as “a long-term cooperative and collaborative relationship between a buying firm and a **few** of its key suppliers who **intensively interact** with each other to achieve mutual ‘win-win’ long-term competitive benefits. These special relationships are characterized by a long-term commitment to each other, a high degree of mutual trust, confidential information sharing, cooperative continuous improvement efforts, and the sharing of risks and rewards associated with the relationship.

1. To what **extent (level)** is your purchasing organization **currently involved** in the following **activities** associated with **strategic buyer-supplier “partnering” alliances**, as **defined above?**

		(Please <u>circle</u> one number)						
		No	Some	Extensive				
		<u>Activity</u>	<u>Activity</u>	<u>Activity</u>				
a.	Have formal corporate “partnering” alliances initiative with key suppliers.....	1	2	3	4	5	6	7
b.	Have informal “partnering” alliances with key suppliers.....	1	2	3	4	5	6	7
c.	Share confidential or sensitive information with alliance suppliers.....	1	2	3	4	5	6	7
d.	Share cost and margin data with alliance suppliers.....	1	2	3	4	5	6	7
e.	Share strategic plans with selected alliance suppliers.....	1	2	3	4	5	6	7
f.	Share new product designs with selected alliance suppliers	1	2	3	4	5	6	7
g.	Team with alliance suppliers to improve cost, quality, service.....	1	2	3	4	5	6	7
h.	Document cost savings resulting from the alliance.....	1	2	3	4	5	6	7
i.	Document quality improvements resulting from the alliance	1	2	3	4	5	6	7

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(Please circle one number)
No **Some** **Extensive**
Activity Activity Activity

- j. Document **service improvements** resulting from the alliance1 2 3 4 5 6 7
- k. Work towards goal of **simplifying** contracts and/or purchase agreements with alliance suppliers.....1 2 3 4 5 6 7
- l. Engaged in **“early supplier involvement”** with alliance suppliers in new/revised product design process..... 1 2 3 4 5 6 7
- m. Involve **two or more** alliance suppliers to simultaneously collaborate with us1 2 3 4 5 6 7

2. Now, please return to the beginning of Question #1, and **place an “X”** over the number that best describes your **desired extent (level) of activity** for each item, a.-j. (Note: Your **“circled”** numbers from your **current extent (level) of activity** responses in Question #1 may, or may not match your **“X’d”** numbers for your **desired level of activity**.)

3. Approximately how many **active** suppliers are in your supplier base? # _____ (“Active” means suppliers with whom you buy from at least once per year)

4. Approximately how many of your suppliers do you consider to be “strategic buyer-supplier alliances? # _____

5. Please list the commodities (materials, services, capital goods) for up to three buyer-supplier alliances you currently have in place (if none in place, please write “none”:

a. Commodity _____ Annual \$ Buy _____ Contract Length _____ yrs.*
 * If an “evergreen” (open-ended) contract or agreement is in place, please write “EG” for Contract Length.

a1. Alliance was initiated primarily by: Buying firm___ Supplier___ Jointly___

a2. Who has the most bargaining power? About Equal___ Buying firm___ Supplier___

b. Commodity _____ Annual \$ Buy _____ Contract Length _____ yrs.*

b1. Alliance was initiated primarily by: Buying firm___ Supplier___ Jointly___

b2. Who has the most bargaining power? About Equal___ Buying firm___ Supplier___

c. Commodity _____ Annual \$ Buy _____ Contract Length _____ yrs.*

- c1. Alliance was initiated primarily by: Buying firm___ Supplier___ Jointly___
- c2. Who has the most bargaining power? About Equal___Buying firm___Supplier___

6. In your opinion, how **important** are the following factors in achieving **successful** strategic buyer-supplier “partnering” alliances:

	Not Important	Somewhat Important	Extremely Important				
	1	2	3	4	5	6	7
	(Please circle response)						
a. Top company management involvement.....	1	2	3	4	5	6	7
b. Top purchasing management involvement.....	1	2	3	4	5	6	7
c. Equitable sharing of risks and rewards resulting from the relationship.....	1	2	3	4	5	6	7
d. High degree of trust between “partners”.....	1	2	3	4	5	6	7
e. Use of multi-functional teams from both buyer and supplier to continuously improve performance.....	1	2	3	4	5	6	7
f. Open sharing of confidential/sensitive buyer information/plans with supplier.....	1	2	3	4	5	6	7
g. Open sharing of confidential/sensitive supplier information/plans with buyer.....	1	2	3	4	5	6	7
h. Focus upon developing long-term relationships.....	1	2	3	4	5	6	7
i. Periodic “market check” to see if supplier “partner” remains price, quality, service competitive.....	1	2	3	4	5	6	7
j. Periodic “market check” to see if supplier “partner’s” technology remains competitive.....	1	2	3	4	5	6	7
k. Buyer understands supplier’s processes for providing goods and services.....	1	2	3	4	5	6	7
l. Supplier understands how buyer uses their goods and services in their operations.....	1	2	3	4	5	6	7
m. Periodic joint evaluation of the benefits, costs, strengths, and weaknesses of the alliances.....	1	2	3	4	5	6	7

7. Now, please return to the beginning of Question #5, and place an “X” over the number that best describes your **current level of activity** for each item (a. - l.), according to the following: 1 = None; 4 = Some; 7 = Extensive ; (Note: Your “**circled**” numbers from your **level of importance** responses in Question #5 may, or may not match your “**X’d**” numbers for your **current level of activity**.)

APPENDIX

8. Which of **following statements** do you think is the most likely to become true over the next 3-5 years for your company: (Please check only **one** of the five boxes.)

a. For our company, the number of strategic buyer-supplier “partnering” alliances (SBSPA’s) **will continue to expand** and continue be a major strategic initiative for both our company and our key suppliers.....

Why?_____

b. For our company, in the next 3-5 years, the number of SBSPA’s will **stay at about the same level as today**, and will continue to be a major strategic initiative for both our company and our key suppliers...

Why?_____

c. For our company, we have not, and most likely, will not, pursue an initiative of developing SBSPA’s.....

Why?_____

d. For our company, SBSPA’s, in general, have “delivered less than they have promised” and we are considering reducing their use as a strategic initiative.

Why?_____

d. Other statement than above:_____

Why?_____

Thank you for your participation!
(Please complete below or tape your business card here to receive a free copy of this study)

Name_____Company_____Title_____

Telephone_____Fax_____Internet email_____

Address_____

QUESTIONNAIRE #3 (R#_____)
MULTI-COUNTRY RESEARCH PROJECT ON PURCHASING AND SUPPLY
CHAIN MANAGEMENT

United States Survey

Center for Advanced Purchasing Studies

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⇒(Please return to CAPS by December 10, 1996)

3. OUTSOURCING PRODUCTION AND SERVICES, INCLUDING
PURCHASING & SUPPLY MANAGEMENT FUNCTIONS

Brief definition: Outsourcing is defined as purchasing manufactured items and services from **external** suppliers which have traditionally been provided by **internal** operations. Outsourcing **purchasing and supply functions** is defined as delegating some or all of the responsibility and authority for selected purchasing and supply-related functions out of the purchasing organization to **internal** individuals, departments, purchasing's clients or customers, and to **external** 3rd parties, consortiums (horizontal buying alliances among a group of independent firms), and suppliers.

1. To what extent is your company **currently involved** in the following activities associated with the **outsourcing of production and services (including purchasing and supply management functions)** that traditionally have been performed internally within your company and/or within your purchasing organization?

LEVEL OF OUTSOURCING
None Some Extensive
(Please circle one number)

- | | | | | | | | |
|--|---|---|---|---|---|---|---|
| a. Items/services traditionally manufactured or services performed internally..... | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| b. Information systems & computer-related services | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| c. Accounting (e.g., accounts payable, accounts receivable, payroll) | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| d. human resource functions (e.g. temp labor, training, benefits mgt.) | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| e.. Travel services..... | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| f. Legal services..... | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| g. Advertising services..... | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| h. Product design..... | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| i. Engineering..... | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| j. Facilities maintenance..... | 1 | 2 | 3 | 4 | 5 | 6 | 7 |

APPENDIX

LEVEL OF OUTSOURCING
None Some Extensive
(Please circle one number)

- k. MRO supply services..... 1 2 3 4 5 6 7
- l. Office supply services..... 1 2 3 4 5 6 7
- m. Mail services..... 1 2 3 4 5 6 7
- n. **Purchasing services** to internal clients/customers* 1 2 3 4 5 6 7

*Examples _____,

- o. **Purchasing services** to external 3rd parties specializing in purchasing functions (e.g. buying “consortiums”)* 1 2 3 4 5 6 7

*Commodities purchased: _____,

* Estimated % savings: _____%, _____%, _____%

- p. **Purchasing services** to a member-managed “group buying consortium” among two or more independent companies* 1 2 3 4 5 6 7

*Commodities purchased _____,

* Estimated % savings: _____%, _____%, _____%

- q. **Purchasing services** to external **suppliers** of goods and services * 1 2 3 4 5 6 7

*Examples _____,

- r. Other _____ 1 2 3 4 5 6 7

- s. Other _____ 1 2 3 4 5 6 7

- t. Other _____ 1 2 3 4 5 6 7

2. Now, please return to the beginning of Question #1, and **place an “X”** over the number that best describes your **desired extent (level) of outsourcing activity** for each item, a.-t. (Note: Your **“circled”** numbers from your **current extent (level) of outsourcing activity** responses in Question #1 **may, or may not** match your **“X’d”** numbers for your **desired level of outsourcing activity**.)

3. Please list below a three of the high-value items/services you have outsourced (including purchasing services) to **external suppliers** (or buying consortiums) in the past 1 - 3 years that **traditionally had been done within your company**, including any “unique or novel” outsourcings. Please estimate annual % of \$ “total cost” savings (or % of extra \$ “total cost”) due to outsourcing versus comparable internal supply costs. (Please show a + sign for savings, and a - sign for cost increases):

- a. _____ % of savings/extra cost _____ %
- b. _____ % of savings/extra cost _____ %
- c. _____ % of savings/extra cost _____ %

4. Have any outsourced items/services been “**insourced**” (brought back inside your firm) in the recent past? If, yes, please describe below:

- a. Item or service _____ Why? _____
- b. Item or service _____ Why? _____

5. Does your company use “procurement cards” (P-cards)? Yes No
 If **no**, do you plan to start a program within the year? Yes No
 If **no**, please describe briefly **why?** below, and then **skip to Question 6.**

Why? _____

- a. How long has your “P card” program been in place? _____ years
- b. Approximately how many P cards are in circulation in your company? _____ #
- c. What limits do you put upon their use, if any (please check all that apply):
 - c1. \$ limits per transaction
 - c2. \$ limits per month
 - c3. Buy only from specified suppliers
 - c4. Billed to employee, with re-embursement from company
 - c5. Billed to and paid by company
 - c6. No charges for personal items
 - c7. No limits are placed on P cards
- d. Approximately what percent of your total annual purchases are bought through your P card program? _____ %

APPENDIX

e. Please estimate your annual \$ savings in purchasing costs (price savings and administrative costs accounted for by your P card program \$_____.

f. Please comment briefly on your company's overall experience with Procurement Cards:

6. What level of **outsourcing activity** do you expect your firm to engage in over the next 3 - 5 years? (**Please check only one box**)

a. Substantial increase..... Commodities?_____,_____

b. Some increase..... Commodities?_____,_____

c. No change Comments:_____

d. Some decrease..... Insourced items?_____,_____

e. Substantial decrease Insourced items?_____,_____

Thank you for your participation!

(Please complete below or tape your business card here to get a free copy of this study)

Name_____ Company_____ Title_____

Telephone_____ Fax_____ Internet email_____

Address_____

QUESTIONNAIRE #4 (R# _____)
MULTI-COUNTRY RESEARCH PROJECT ON PURCHASING AND SUPPLY CHAIN MANAGEMENT

United States Survey
Center for Advanced Purchasing Studies
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⇒(Please return to CAPS by December 10, 1996)

4. PURCHASING & SUPPLY’S STRATEGIC PLANNING PROCESS & ITS INTEGRATION INTO OVERALL CORPORATE STRATEGIC PLANS

Brief definition: A Strategic Plan results from a strategic planning process and defines an organization’s mission, goals, objectives, strategies, initiatives, tactics, and operational plans. In addition, it specifies the human, capital, intellectual, and technical resources required to achieve its mission, goals, and objectives, and a time-phased action plan for implementation.

1. To what extent is your purchasing organization **currently involved** in the following **activities** associated with the **purchasing and supply management strategic planning process**, and, in addition, its **integration into overall company strategic plans/planning process**?

(Please circle one number)

		<u>No</u>		<u>Some</u>		<u>Extensive</u>	
		<u>Activity</u>		<u>Activity</u>		<u>Activity</u>	
a. Purchasing has a formal process for developing strategic plans.....	1	2	3	4	5	6	7
b. Purchasing integrates its strategic plan/process into corporate’s strategic plan/planning process.....	1	2	3	4	5	6	7
c. Purchasing’s strategic plan influences the structure of corporate’s strategic plan...1	1	2	3	4	5	6	7
d. Purchasing’s strategic plan is influenced by corporate’s plan	1	2	3	4	5	6	7
e. Purchasing sets its own strategic goals and objectives.....1	1	2	3	4	5	6	7
f. Corporate sets purchasing’s goals/objectives	1	2	3	4	5	6	7
g. Purchasing and corporate jointly set purchasing’s goals/objectives.....1	1	2	3	4	5	6	7

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(Please circle one number)

No Some Extensive
Activity Activity Activity

Purchasing has specific (quantitative?) goals/objectives for:

h. Purchasing cost savings..... 1 2 3 4 5 6 7

Briefly describe _____

i. Quality improvement..... 1 2 3 4 5 6 7

Briefly describe _____

j. Supplier on-time delivery performance..... 1 2 3 4 5 6 7

Briefly describe _____

k. Supplier lead time (cycle time) reduction..... 1 2 3 4 5 6 7

Briefly describe _____

l. Supply base rationalization (consolidation?)..... 1 2 3 4 5 6 7

Briefly describe _____

m. Strategic supplier alliance development...1 2 3 4 5 6 7

Briefly describe _____

n. Professionalization of purchasing staff..... 1 2 3 4 5 6 7

Briefly describe _____

o. Purchasing contributes to major outsourcing/buy/make decisions..... 1 2 3 4 5 6 7

p. Purchasing trains/educates purchasing professionals to think/act strategically..... 1 2 3 4 5 6 7

q. Purchasing recruits individuals who have a strategic orientation..... 1 2 3 4 5 6 7

r. Purchasing professionals focus primarily on strategic activities; operational transaction-oriented duties are delegated to internal clients/suppliers..... 1 2 3 4 5 6 7

2. Now, please return to the beginning of Question #1, and place an “X” over the number that best describes your **desired extent (level) of strategic planning activity** for each item, a.-r. (Note: Your “circled” numbers from your **current extent (level) of strategic planning activity** responses in Question #1 may, or may not match your “X’d” numbers for your **desired level of strategic planning activity**.)

3. Briefly describe below three of your **major strategic goals, objectives, initiatives (“GOIs”)** contained in your most recent purchasing and supply management strategic plan.

a. GOI: _____

b. GOI: _____

c. GOI: _____

4. Please comment briefly on the roles/responsibilities purchasing and supply management **currently plays** in your company’s strategic planning process:

5. Please comment briefly on the roles/responsibilities you believe purchasing and supply management **should play** in your company’s strategic planning process:

6. If there is a substantial “gap” between the **current** roles/responsibilities purchasing and supply management **plays** in your company’s strategic plan development process, and the “**should play**” roles/responsibilities, **why** does this gap exist?

Why? _____

7. Other comments about current and/or future activities related to the strategic planning process in purchasing, or in general: _____

Thank you for your participation!
(Please complete below or tape your business card here to receive a free copy of this study)

Name _____ Company _____ Title _____

Telephone _____ Fax _____ Internet email _____

Address _____

QUESTIONNAIRE #5 (R# _____)
MULTI-COUNTRY RESEARCH PROJECT ON PURCHASING AND SUPPLY
CHAIN MANAGEMENT

United States Survey

Center for Advanced Purchasing Studies

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**5. COMPUTER-BASED INFORMATION AND DECISION-
 AID/SUPPORT SYSTEMS FOR
 PURCHASING AND SUPPLY MANAGEMENT**

Brief definition: Computer-based information systems collect, analyze, synthesize, and disseminate data to provide information to aid in managing, decision-making, and performing both routine transactions and *ad hoc* analyses. Usually computer-based, these systems support purchasing and supply management in areas such as timing of requirements for purchased materials, services and capital equipment, sources of supply, supplier information, supplier performance, order release/call off, order tracking, and pricing, quality, lead time, total cost, and purchasing performance analyses.

1. To what extent does your purchasing organization **currently have** the following computer-based **information and decision-aid/support systems/processes implemented?**

EXTENT OF IMPLEMENTATION

None Some Extensive

(Please circle one number)

- | | | | | | | | |
|---|---|---|---|---|---|---|---|
| a. Mainframe-based purchasing system..... | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| b. Microcomputer (PC/MAC)-based purchasing systems..... | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| c. Networked client-server system for purchasing (such as SAP-R3, ORACLE) | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| d. Individual PCs/MACs and/or terminals for purchasing staff..... | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| e. On-line-real-time buyer's work stations for accumulating requirements, supplier info/tracking..... | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| f. Internal e-mail for purchasing staff..... | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| g. External e-mail for purchasing..... | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| h. Internet access via World Wide Web for purchasing staff..... | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| i. Private intranet system for purchasing..... | 1 | 2 | 3 | 4 | 5 | 6 | 7 |

EXTENT OF IMPLEMENTATION

None Some Extensive
(Please circle one number)

- i. Manufacturing Resource Planning
or Material Req. Plan. (MRP) system..... 1 2 3 4 5 6 7
- k. Electronic Data Interchange (EDI)..... 1 2 3 4 5 6 7
- l. Electronic Funds Transfer (EFT) 1 2 3 4 5 6 7
- m. MRP systems that electronically
interface with suppliers' MRP or
order entry systems 1 2 3 4 5 6 7
- n. Automatic releases/call offs of
requirements (POs) to suppliers
via electronic means such as EDI..... 1 2 3 4 5 6 7
- o. Direct dial-up to purchase office
supplies/MRO by internal staff 1 2 3 4 5 6 7
- p. Purchasing through the Internet,
World Wide Web, etc. 1 2 3 4 5 6 7
- q On-line-real-time "auction-like"
bidding by pre-qualified suppliers
for items with clear specifications.....1 2 3 4 5 6 7
- r. "Total cost " of purchases
modeling/decision aiding system 1 2 3 4 5 6 7
- s Supplier reporting/evaluation 1 2 3 4 5 6 7
- t. Purchasing performance evaluation.....1 2 3 4 5 6 7
- u. Cycle time/lead time tracking..... 1 2 3 4 5 6 7
- v Collaboration/problem solving
"groupware"(such as Lotus Notes)..... 1 2 3 4 5 6 7
- w. Video-conferencing 1 2 3 4 5 6 7
- x. Other_____.... 1 2 3 4 5 6 7

2. Now, please return to the beginning of Question #1, and **place an "X"** over the number that best describes your **desired extent (level) of activity** for each item, a.-x. (Note: Your "**circled**" numbers from your **current extent (level) of activity** responses in Question #1 may, or may not match your "**X'd**" numbers for your **desired level of activity**.)

3. Does your purchasing organization have its own systems staff? No Yes
 Number of systems staff _____#

Comments on systems development/maintenance support:_____

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4. Please estimate your use of Electronic Data Interchange & Electronic Funds Transfer:

	<u>% of total transactions</u>	<u>% of total \$ purchases</u>	<u>Number of suppliers</u>
EDI:	_____ %	_____ %	_____ #
EFT	_____ %	_____ %	_____ #

Comments regarding EDI/EFT: _____

5. Please briefly identify two of your information systems that are **working well** for your purchasing & supply organization, including any unique applications/systems:

a. _____

b. _____

6. Please briefly identify two of your information systems that are **not** providing you with adequate purchasing information/decision-making needs:

a. _____

b. _____

7. What plans (hardware, software, processes, etc.) **do you have** in the next 3-5 years for upgrading your purchasing-related information systems?

8. What systems **would you like** to have implemented to support your purchasing and supply management that you believe would add more value to your company?

Thank you for your participation!

(Please complete below or tape your business card here to receive a free copy of this study)

Name _____ Company _____ Title _____

Telephone _____ Fax _____ Internet email _____

Address _____

QUESTIONNAIRE #6 (R# _____)
MULTI-COUNTRY RESEARCH PROJECT ON PURCHASING AND SUPPLY
United States Survey

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⇒(Please return to CAPS by December 10, 1996)

6. ENVIRONMENTAL ISSUES, REQUIREMENTS, CONSTRAINTS
IMPACTING PURCHASING AND SUPPLY MANAGEMENT

Brief definition: Environmental issues deal with such areas as water, ground, air, and noise pollution; use, storage and disposal of hazardous materials and chemicals and its waste from manufacturing; waste water management; unsafe and unhealthy working environments; unsafe finished products; industrial harm to plant and animal life; recycling or disposal of excess inventories, equipment, and manufacturing-generated scrap; recycling of obsolete or scrapped end products; design of products and manufacturing processes for material conservation, re-use, or recycling; and restoration/reclamation of lands scarred by industrial activity

1. To what extent is your **purchasing** organization **currently involved** in the following environmentally-related activities or functions?

LEVEL OF PURCHASING'S INVOLVEMENT

None Some Extensive
(Please circle one number)

- | | | | | | | | |
|---|---|---|---|---|---|---|---|
| a. Purchase of hazardous materials/chemicals/equipment..... | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| b. Disposal of hazardous materials/ chem./ equipment | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| c. Investment recovery (sale) of excess inventories/materials..... | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| d. Sale of scrap and used materials..... | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| e. Sale of excess capital equipment..... | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| f. Design of products for reduced consumption of material/energy | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| g. Design of products for re-use, recycle, recovery of materials, components, parts..... | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| h. Design of products to avoid or reduce use of hazardous material in products and/or their mfg. processes..... | 1 | 2 | 3 | 4 | 5 | 6 | 7 |

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LEVEL OF PURCHASING'S INVOLVEMENT

None Some Extensive
(Please **circle** one number)

- i. Provide design specs to suppliers that include environmental requirements for purchased items..... 1 2 3 4 5 6 7
- j. ISO 14000 environmental certification1 2 3 4 5 6 7
- k. Collaboration with suppliers to provide materials, equipment, parts, services that support environmental goals 1 2 3 4 5 6 7
- l. Company-wide environmental audits..... 1 2 3 4 5 6 7
- m. Environmental audits of suppliers..... 1 2 3 4 5 6 7
- n. Other_____.....1 2 3 4 5 6 7

2. Now, please return to the beginning of Question #1, and **place an “X”** over the number that best describes the **level of involvement that you believe purchasing should have** for each item, a.-n. (Note: Your **“circled”** numbers from your **current level of involvement** responses in Question #1 may, or may not match your **“X’d”** numbers for your **should have level of involvement**.)

3. Please comment briefly on the roles/responsibilities you believe purchasing and supply management **should or should not play** in managing environmentally-related activities/issues. Why?

4. Please comment briefly on the roles/responsibilities you believe purchasing **will become engaged in over the next 3 - 5 years**. Why?

Thank you for your participation!
(Please tape your business card below)

Name_____Company_____Title_____

Telephone_____Fax_____Internet email_____

Address_____

QUESTIONNAIRE #7 (R# _____)
**MULTI-COUNTRY RESEARCH PROJECT ON PURCHASING AND
 SUPPLY**

United States Survey

Center for Advanced Purchasing Studies

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**7. INTERNATIONAL SOURCING STRATEGIES, OPPORTUNITIES,
 CONSTRAINTS**

Brief definition: International sourcing strategies, opportunities, and constraints deal with a firm's approach to and management of its sourcing for materials, products, services, and capital from firms **located outside its native country**. Issues and problems include **total cost analyses** (reliability of delivery, quality, transportation costs, cycle times, etc.); **cultural** (language, customs, ethics); **economic** (stability, literacy, labor force, health, safety, economic system, tariffs, duties, import/export regulations and quotas); **political** (local content and employment requirements, counter trade, offsets, barter, GATT, NAFTA, European Union, other regional economic trade agreements, political stability, military hostilities, and human rights); establishment of international purchasing offices (IPOs), currency fluctuations and counter-measures such as hedging, and staffing with expatriates and/or natives.

1. To what extent is your purchasing organization **currently involved** in the following international sourcing activities or functions:

LEVEL OF PURCHASING'S INVOLVEMENT

None Some Extensive
 (Please **circle** one number)

- | | | | | | | | |
|--|---|---|---|---|---|---|---|
| a. Purchase of goods & services from countries outside the U.S. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| b. Countertrade activities (offsets, barter, local content reqmts.) | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| c. Managing currency fluctuation strategies (hedging, etc.) | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| d. Use of independent, 3rd party "IPOs" (International Purch. Office) in foreign countries | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| e. Identification of potential non-U.S. suppliers | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| f. Selection of non-U.S. suppliers | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| g. Management of non-U.S suppliers | 1 | 2 | 3 | 4 | 5 | 6 | 7 |

APPENDIX

2. Now, please return to the beginning of Question #1, and place an “X” over the number that best describes the **level of involvement that you believe purchasing should have** for each item, a.-g. (Note: Your “circled” numbers from your **current level of involvement** responses in Question #1 may, or may not match your “X’d” numbers for your **should have level of involvement**.)

3. Please **estimate** the percent of your firm’s **current** total annual purchases (materials, equipment, services) that are sourced from the following countries or regions. Then, please **indicate your expectations for changes** in sourcing from these countries/regions over the next 3 - 5 years.

EXPECTED CHANGES OVER NEXT 3-5 YEARS

<u>CURRENT</u>	<u>Percent Decreasing</u>	<u>Percent Stable</u>	<u>Percent Increasing</u>
	(Please • one box)		
a. United States _____%			
b. Canada _____			
c. Mexico _____			
d. Western Europe _____			
e. Eastern Europe _____			
f. Japan _____			
g. Asia (less Japan) _____			
h. South America _____			
i. Former Soviet Un. _____			
j. Other _____			
k. Other _____			
Total			100%

3. How are your international purchases managed? (*Please • all that apply.*)

- a. No purchases are made from non-U.S. suppliers (Go to Question 4)
- b. Centralized, by our U.S. purchasing organization:
- c. Decentralized, by foreign-based **company** purchasing organizations
- d. Decentralized, by foreign-based **independent** purchasing offices (Third-party IPOs)
- e. A mix of centralized and decentralized management
- f. Other international purchasing organizational structure:
Briefly describe here: _____

4. What is your company’s experience in the following **international** sourcing areas:

	<u>Negative</u> <u>Experience</u>	<u>Positive</u> <u>Experience</u>				
	<i>(Please circle response)</i>					
a.. Purchasing ethics when dealing with suppliers:.....	1	2	3	4	5	6 7
b. Purchasing ethics of your staff or agents:	1	2	3	4	5	6 7
c. Language, interpretation, communication:.....	1	2	3	4	5	6 7
d. Currency fluctuations and exchange rates:.....	1	2	3	4	5	6 7
e. Identifying qualified international suppliers:.....	1	2	3	4	5	6 7
f. Quality of internationally-sourced materials/services:....	1	2	3	4	5	6 7
g. On-time delivery of purchased material/services:	1	2	3	4	5	6 7
h. Availability of qualified local purchasing professionals (nationals).....	1	2	3	4	5	6 7
i. Availability of qualified “expatriates” to staff international sourcing operations.....	1	2	3	4	5	6 7
j. Countertrade requirements	1	2	3	4	5	6 7
j. Other_____.....	1	2	3	4	5	6 7
k. Other_____.....	1	2	3	4	5	6 7

6. Please comment briefly on the general strategy you believe your purchasing and supply management organization should play in managing international sourcing activities:

Thank you for your participation!
(Please tape your business card below)

Name_____Company_____Title_____

Telephone_____Fax_____Internet email_____

Address_____

Appendix B:

Instructions for Using the CD That Contains the Case Studies

The CD-ROM, included in the pocket of this publication, includes the case studies that were written in conjunction with the mail survey study. Each country submitted 8-10 case studies for a total of 62 cases. These cases are structured and divided by country and by topic similar to the mail survey study. The CD-ROM is topic searchable by country, providing a quick and easy way to utilize the data contained in the cases.

To install the CAPS Case Studies CD-ROM:

1. Put the CD into your CD-ROM Drive
2. Run Setup from the CD-ROM

Setup will create a directory on the C: drive called **C:\CAPS** and copy the executable to the C: drive. The directory **C:\CAPS** will contain the executable file **CAPS.EXE**.

Note: All the data files will remain on the CD. The CD must be in the system when running CAPS.EXE.

To run the CAPS Case Studies CD-ROM:

1. Run **CAPS.EXE** from the C: drive or click on the CAPS Case Studies Icon in the programs section of the windows start menu.
2. Clicking on the 800 x 600 button in the upper right corner of the screen will center the program on larger monitors.
3. Click the Accept button if you accept the conditions on the screen.
4. Click on the Click Here to Continue Button.
5. You should now be at the Main Menu screen.

To view a country's case studies:

Click on the country name and then follow the instructions.

To search the case studies:

Click on the search button on the Main Menu screen and follow the instructions.

As an option, and to give you more flexibility, we have added a button to the Main Menu screen that allows you to view and print all the case studies with an Internet browser (Internet Explorer or Netscape). All Windows 95 and 98 operating systems come with the Internet Explorer already installed in the C:\Program Files\Internet Explorer\Iexplore.exe. We have also embedded all the figures into the case studies. If you just want to use the Internet browser to view the case studies you can create a Shortcut Icon on your Windows Desktop that will automatically start the internet browser. To create this Shortcut do the following:

- Put the CD-ROM into the CD Drive.
- State the Windows Explorer (Click on **Start** ⇒ **Programs** ⇒ **Windows Explorer**) *Note: Don't maximize the Windows Explorer*
- With the Windows Explorer open, double click on the CD Drive then double click on the CAPS directory. *Example: F:\Caps\ Where F: is the CD Drive and Caps is the directory.*
- Find the file Caps.htm (Example **F:\Caps\Caps.htm**) This is the Table of Contents for all the case studies when using a browser.
- Put the mouse pointer over the file Caps.htm
- Press and hold down the right mouse button.
- Drag it over to the Windows Desktop.
- Release the right mouse button and click on **Create Shortcut(s) Here** (in the panel that appears next to the Icon).
- Now you can click on the Icon and it will bring up the browser and start Caps.htm. *Note: make sure that the CD-ROM is in the CD Drive.*
- You can also save your favorite case studies under "Favorites" in the browser.

General Tip: Even though the documents may be printed from each country or after searching, the best printing results are obtained using the browser. However, the documents cannot be searched in the browser format.

Center for Advanced Purchasing Studies

THE CENTER FOR ADVANCED PURCHASING STUDIES (CAPS) was established in November 1986 as the result of an affiliation agreement between the College of Business at Arizona State University and the National Association of Purchasing Management. It is located at The Arizona State University Research Park, 2055 East Centennial Circle, P.O. Box 22160, Tempe, Arizona 85285-2160 (Telephone [480] 752-2277).

The Center has three major goals to be accomplished through its research program:

- to improve purchasing effectiveness and efficiency
- to improve overall purchasing capability
- to increase the competitiveness of U.S. companies in a global economy

Research published includes 38 focus studies on purchasing/materials management topics ranging from purchasing organizational relationships to CEOs' expectations of the purchasing function, as well as benchmarking reports on purchasing performance in 26 industries.

Research underway includes: *Major Changes in Purchasing/Supply Organizations; Supply Chain Management Strategies; International Purchasing and Supply Management in the United States and in Germany;* and the benchmarking reports of purchasing performance by industry.

CAPS, affiliated with two 501 (c) (3) educational organizations, is funded solely by tax-deductible contributions from organizations and individuals who want to make a difference in the state of purchasing and materials management knowledge. Policy guidance is provided by the Board of Trustees consisting of:

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